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ECONOMIC CONTROLS IN INDIA

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ECONOMIC CONTROLS IN INDIA

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Chapter I

INDUSTRIAL CONTROL: GENERAL

Down to 1918, the attitude of Government towards industry was one of *laissez faire* which was in line with the economic policy then prevailing *viz.,* industrial progress was best achieved by unregulated private enterprise. This doctrine, however, underwent some modification after World War I through the adoption of discriminating protection and acceptance of the principle underlying the recommendations of the first Fiscal Commission, set up earlier, that Government should play an active part in industrial development. Towards the end of World War II, it became evident that the State had to play a more active role in the industrial development of the country. It was under these circumstances that the Government of India announced their Industrial Policy of April 1948, in the form of a Resolution.

INDUSTRIAL POLICY

The salient features of the Policy are:

(i) that the manufacture of arms and ammunition, the production and control of atomic energy, the ownership and management of railway transport should be the exclusive monopoly of Central Government;

(ii) that the State - Central or State Governments - will be responsible for the establishment of new undertakings in the following fields:-

(a) Coal.
(b) Iron and Steel.
(c) Aircraft manufacture.
(d) Shipbuilding.
(e) Manufacture of telephone, telegraph and wireless apparatus, excluding radio receiving sets; and
(f) Mineral oils.

Existing undertakings will be allowed to develop for a period of ten years and Government will give all assistance for such development. At the end of the period, their position will be reviewed.

(iii) Control by the State over the generation and distribution of electric power will continue.

(iv) Rest of the industries will normally be open to private enterprise, with varying degrees of control over location.

(v) Central Government would investigate how far and in what manner cottage and small-scale industries could be co-ordinated and integrated with large-scale industries. Government have established a Cottage Industries Board for the purpose.

PARTICIPATION OF FOREIGN CAPITAL

Government of India's policy in respect of participation of foreign capital was announced in April 1948, when it was made clear that they would welcome it on terms and conditions that were mutually advantageous. The important conditions mentioned therein were that the major interest in ownership and effective control should, as far as possible, be in Indian hands. In all cases, the training of suitable Indian personnel, for the purpose of eventually replacing foreign experts, should be insisted upon. Compensation should be paid on a fair and equitable basis if foreign enterprises were compulsorily acquired.

In his statement in the Parliament on April 6, 1949, the Hon'ble the Prime Minister further clarified the Government's policy in regard to foreign participation. He stated that, in the first place, Government would expect all undertakings, Indian or foreign, to conform to the general requirements of their Industrial Policy. As regards existing foreign interests, Government did not intend to place any restrictions or impose any conditions which were not applicable to similar Indian enterprise. Government would also so frame their policy as to enable further foreign capital to be invested in India on terms and conditions that would be mutually advantageous. Secondly, foreign interests would be permitted to earn profits, subject to regulations common to all. No difficulty was foreseen in continuing the existing facilities for remittance of profits, and Government had no intention to place any restriction on withdrawal of foreign capital investment, but remittance facilities would naturally depend on foreign exchange considerations. If, however, any foreign concerns came to be compulsorily acquired, Government would provide reasonable facilities for the remittance of proceeds. Finally, if and when foreign enterprises were compulsorily acquired, compensation would be paid on a fair and equitable basis.

INDUSTRIES DEVELOPMENT AND CONTROL BILL

A Bill for the development and regulation of specified industries was introduced in the Parliament in April 1949 and passed in October 1951.

The Bill will be the principal instrument of planning and regulation of important industries, the activities of which affect the country as a whole and the development of which must be governed by economic considerations of all-India import.

Chapter II

INDUSTRIAL CONTROL: COTTON YARN AND COTTON CLOTH

Textile Control, which has been in existence since 1943, except for an abortive short period experiment at gradual decontrol, contemplates regulation through control of raw materials, production, distribution and prices. In its latest form, the Control was imposed in August 1948 and the Cotton Textiles (Control) Order, 1948, was promulgated under the Essential Supplies (Temporary Powers) Act, 1946. Two high power committees, *viz.*, the Textiles Development Committee and the Cotton Textiles and Cotton Control Committee, have been constituted. The object of the former is, *inter alia*, to recommend targets for the maximum output of cloth of suitable varieties, and for this purpose to advise on the supply of cotton, mill stores and equipment and other raw materials as well as the fixation of prices of finished goods. That of the latter is to assist in the working of the present Cotton Textile and Cotton Controls.

CONTROL OVER MILL STORES

There is control over the basic raw material *viz.*, raw cotton. In addition to this, control is also exercised over distribution and prices of certain mill stores such as shuttles, card clothing and starch. In the beginning, there was also control over chemicals, dyes, bobbins; but it was withdrawn after the supply position with regard to these materials improved. The control over mill stores is exercised by a provision that the importers should submit returns about landed cost and the quantity imported to the Textile Commissioner, Bombay.

CONTROL OVER PRODUCTION

Government's first essay in the direction of control over production was the Standard Cloth Scheme in the year 1943.

The second attempt was made in October 1948 when it was considered necessary to control production so as to ensure that unpopular and unsaleable varieties of cloth were not produced, that the cloth produced was durable and that a sufficient part of the production of the mills was utilised for the manufacture of such varieties of cloth as the common man needed and could afford. But, before the Control Order could be fully implemented, there was a cry of accumulation of stocks in the mills in the year 1949. In order to enable the mills to produce such varieties of cloth which were readily saleable, in their opinion, the several Production Control measures were withdrawn, except in so far as they were necessary for the fixation of ex-mill prices and such other details as have been agreed to by the industry itself.

At the end of 1950 and the beginning of 1951, complaints were received about scarcity of dhoties and saris. In order to increase the availability of these varieties of cloth, mills have been directed to employ 50 per cent. of their wide loomage between 48" and 58" (both inclusive) for the production of dhoties and saris, out of which 60 per cent. has to be employed for the manufacture of dhoties only.

As State Governments were not lifting processed and dyed cloth in large quantities, the processing and dyeing of cloth by the mills have been restricted to only 10 per cent. of their production.

DISTRIBUTION CONTROL

One important object of the Cotton Textile Control is to prevent the hoarding of cloth and secure rapidity of flow from mills to consumers. A time limit of six months is laid down during which cloth produced in a mill should be unbaled and of twelve months during which it should be completely sold. It is also laid down that all cloth should be stamped with the manufacturer's name and month of packing in the mills. There are, however, numerous loopholes by which cloth leaving the mills could disappear into the blackmarket, and, to stop these, the Government of India undertook the responsibility of ensuring that each State or other consuming area would receive regularly a monthly quota of cloth and yarn. To ensure this, control over the movement under the Cotton Textiles (Control of Movement) Order, 1948, by which cloth cannot be moved by rail or sea or by air without a transport permit issued by the Textile Commissioner, was reimposed. Restrictions have also been placed on the transmission of cloth and yarn by postal parcels under the Cotton Textiles (Transmission by Post) Prohibition Order, 1951. This has

been done with a view to conserving cloth and yarn within the State itself. The State Textile Authorities are required to nominate wholesale dealers, popularly known as State nominees, to make purchases in the producing centres and lift the quotas allotted to the States on behalf of the State Governments. The Textile Commissioner provides these nominees with the purchase authorities which also serve as transport permits. All cloth allocations are divided into four broad categories - coarse, medium, fine and superfine - roughly in the same proportion as the all-India production of these varieties.

At present, 80 per cent. of the mills' production is under controlled distribution for which purchase authorities are issued by the Textile Commissioner and 20 per cent. of the production is sold by the mills through buyers of their own choice. All classes of dealers of cloth are licensed under the State Licensing Orders. It is for the States to appoint the wholesalers, semi-wholesalers, retailers and to fix profit margin for each trade link subject to the maximum limit of 14 per cent. in the case of cloth and 12½ per cent. in the case of yarn over the ex-mill prices prescribed by the Textile Commissioner, Bombay. The internal distribution of cotton textiles is entirely the responsibility of the State Governments who have adopted various modes of distribution suited to their own requirements. Some of them have introduced rationing of cloth in big cities and in some cases the cloth is distributed to consumers through the establishment of fair price shops under the State Government's control. Mills have also been permitted to open their own retail shops. Most of the States have introduced rationing of yarn.

CONTROL OVER PRICES

Ex-mill prices of all varieties of cloth and yarn are fixed by the Textile Commissioner, Bombay, under the statutory powers given to him under the Cotton Textiles (Control) Order, 1948. Both the ex-mill and retail prices are stamped on all cloth and yarn. In addition, cloth has to be texmarked with the date of production. The prices are fixed quarterly, after taking into consideration the prices of various elements entering into the cost of production of cloth and yarn, such as cotton, wages, mill stores, fuel, etc., in accordance with a formula suggested by the Indian Tariff Board and accepted by Government.

From November 1, 1949, the textile industry accepted a voluntary cut of 4 per cent. on the ex-mill prices as a measure to check inflation. Further, the retail margins were reduced from 20 to 14 per cent. in the case of cloth and from 15 to 12½ per cent. in the case of yarn from the above date.

The 4 per cent. cut was restored in the case of yarn made available by the mills for distribution to various States, in the case of what is called "free" yarn, and in respect of grey coarse and medium cloth, with effect from April 1, 1951, in order to give incentive to the mills to produce more "free" yarn and larger quantities of coarse and medium cloth.

EXPORT CONTROL OF COTTON TEXTILES

An export quota of 844 million yards of cloth has been fixed in the year 1951. Export of yarn has been completely banned. In order to stagger the exports of cloth, mills have been directed to pack 90 per cent. of the monthly production for civil consumption. In other words, only 10 per cent. of the production could be packed for purpose of exports. This restriction continued up to the end of July. For the months of August and September mills were permitted to pack for export up to 25 per cent. of their production, subject to the condition that the packings of coarse and medium cloth shall not exceed 10 per cent. Out of this total export quota, 10 million yards have been earmarked for new mills which came into production under the Cotton Textile Expansion Scheme, 15 million yards have been reserved for uneconomic mills and 20 million yards for those mills which have established their markets abroad.

In order to assist the handloom industry, a Handloom Development Fund, with an initial amount of Rs. 10 lakhs, has been created. Out of this amount, over Rs. 7 lakhs have already been distributed to various States for the development of the handloom industry. In addition, certain varieties of cloth have been reserved solely for the production by this industry. These varieties are saries with border exceeding 2" in width and zari borders, coloured and striped saries, dhoties with border exceeding $\frac{1}{4}$" in width and manufactured from zari, muga or art silk yarn, loongies, chadars and bed sheets, gauze bandage, table cloth and napkins. In order to make large quantity of yarn available for the handloom and other industries, export of yarn of all counts has been banned. Export of handloom cloth is free. In order to stimulate these exports, representative samples of handloom products have been forwarded to all Embassies for exhibition in show-rooms.

IMPORTS OF COTTON TEXTILES

Imports of cloth are allowed only in respect of such varieties which are not produced in India or the production of which is very small such as umbrella cloth, organdi etc.

As regards yarn, imports of yarn of counts 80 and above are being allowed free, as there is a great shortage in the country of these varieties.

Chapter III

INDUSTRIAL CONTROL: IRON & STEEL

During the last World War, it was felt necessary to impose control on iron and steel. In August 1941, statutory control over production and distribution was promulgated under the Defence of India Rules. When these Rules lapsed in September 1946, continuity of control was ensured through the Essential Supplies (Temporary Powers) Ordinance, 1946. This Ordinance was, in due course, replaced by the Essential Supplies (Temporary Powers) Act, 1946. That Act was given periodical extensions and now stands extended up to December 31, 1952. Control over iron and steel and scrap is exercised through the following two Orders:-

(i) Iron and Steel (Control of Production and Distribution) Order, 1941, and

(ii) Iron and Steel (Scrap Control) Order, 1943.

The scope of control covers production, distribution and prices.

CONTROL OVER PRODUCTION

All registered producers of steel are required to produce steel only in accordance with the orders issued by the Iron and Steel Controller, who is a Central Government official appointed to administer control on iron and steel and who has his headquarters at Calcutta. No new production capacity can be installed except with prior permission of the Iron and Steel Controller. Directives are also issued to producers for giving rolling priority to specific orders. The books and premises of the producers are open to inspection and scrutiny by the Controller.

CONTROL OVER DISTRIBUTION

Well in advance of a production period, i.e.. a quarter of a year, an estimate is made of the total quantity of steel that is expected to be available from production. At the same time, an assessment is made of the demands of the various classes of users of iron and steel, These users have been classified into the following broad categories:

(i) Ministry of Defence.
(ii) Ministry of Railways.
(iii) Ministry of Rehabilitation.
(iv) Government Development Schemes.
(v) Government Sponsored Housing Schemes.
(vi) Private Industrial Development Schemes.

(vii) Steel Processing Industries.
(viii) Industrial Maintenance and Packing.
(ix) Export.
(x) Emergency Reserve.
(xi) Agricultural Requirements.
(xii) General Public in the States.
(xiii) Displaced Fabricators.
(xiv) Harijans.
(xv) Cottage Industries.

A quota of steel is given to the Ministries mentioned at (i) to (iii) above for meeting their requirements. For handling the Government Development Schemes quota-(iv) above the following co-ordinating authorities deal with the projects shown against them:-

Co-ordinating Authority	*Project*
1. Central Electricity Commission, SIMLA.	Government Electric instllations and hydro-electric schemes.
2. Consulting Engineer (Roads), NEW DELHI.	Road and bridge works.
3. Central Water and Power Commission, NEW DELHI.	Irrigation and Waterways.
4. Ministry of Transport.	Development of Ports.
5. C.P.W.D. (Civil Aviation).	Development of aerodromes.
6. C.P.W.D. (Works Branch).	Constructions in Delhi.
7. C.P.W.D. (Central Projects).	Miscellaneous Government projects.
8. State Governments.	Sundry development schemes of the States.
9. Ministry of Labour.	Housing schemes for coal miners.
10. Iron & Steel Controller.	Government schemes not included in the above.

As regards Government Sponsored Housing Schemes - (v) above State Governments and Ministries of the Central Government sponsor either Government financed schemes or privately financed co-operative housing schemes. The quota for Private Industrial Development Schemes - (vi) above - is intended to aid private industry in the establishment of new factories or the extension of the existing ones. This quota is distributed through the following Sponsoring Authorities:-

Sponsoring Authority	*Industry Concerned*
1. Central Electricity Commission.	Electric installations.
2. Textile Commissioner.	Cotton textile mills.
3. Coal Commissioner.	Collieries.
4. Ministry of Agriculture.	Refrigeration and sugar industries.
5. Development Wing, Ministry of Commerce and Industry.	Engineering and non-Engineering (Chemicals etc.) Industries.
6. Iron and Steel Controller.	Industries not included in the above.

QUOTA FOR PROCESSING INDUSTRIES

Allotments from the Steel Processing Industries Quota - (vii) above - are designed to meet the maintenance and raw material requirements of organised industries engaged in processing iron and steel and using power-driven machinery. Generally, only those steel processing factories which were in existence before March 20, 1950, are considered for allotment of steel from this quota. Factories (other than structural fabricators, tinplate processors, Government factories, educational institutions sponsored by the Ministry of Education, manufacturers of drums and containers and industries enjoying tariff protection) employing less than 100 labourers get steel from the State Governments. The quota for Industrial Maintenance and Packing - (viii) above - is intended to provide established industries other than those engaged in steel processing with their essential maintenance and packing requirements. The Iron and Steel Controller is the sponsoring authority for this quota. The Export and Emergency quotas - (ix) and (x) above - are operated by the Ministry of Commerce and Industry. The Agricultural Quota - (xi) above - which is sponsored by the Ministry of Food and Agriculture and the quotas at (xii) to (xv) above are placed at the disposal of the State Governments.

QUOTA CERTIFICATES

After the demands under each group and sub-group are considered and sponsored by various Sponsoring and Co-ordinating Authorities, the Ministry of Commerce and Industry decides, broadly, the allocation of the available iron and steel among the above 15 groups of consumers. Thereafter an opportunity is given to the main Co-ordinating Authorities, including representatives of State Governments, to meet under the chairmanship of the Priority Authority, *viz.*, the

Secretary of the Ministry of Commerce and Industry, to explain the effects of the proposed allotments and to justify demands in detail so as to enable the Priority Authority to give his final decisions. After the allocations have been made, the Iron and Steel Controller issues quota certificates to specific allottees. on the recommendations of the various Co-ordinating and Sponsoring Authorities. Where the allottees are large consumers, they are given the right to issue sub-quota certificates which are required to be related to the parent certificates. These quota certificates are, in effect, permits to the holders either to place orders on the producers of steel or on the Controlled Stockholders of iron and steel. Orders on producers have to be placed in wagon loads, or, in other words, in multiples of 20 tons. There are about 30 Controlled Stockholders who hold a certain amount of ready stock with a view to supplying small demand against the surrender of quota certificates. They also book orders on forward delivery basis and place bulk orders on producers against quota certificates registered with them. These Controlled Stockists serve all groups of users other than the general public and the small-scale manufacturers.

DISTRIBUTION OF STATES' QUOTAS

The general public and the small-scale manufacturers obtain their requirements of steel from the State quotas. Detailed distribution of the allotments of steel made to a State is the business of the State Steel Controller who operates the allotments by the issue of permits on the Registered Stockholders of iron and steel. There are over 1,500 Registered Stockists whose sole function is to supply iron and steel against permits issued by the State Governments. The State Iron and Steel Controller distributes the State allotments among the Registered Stockists in the State. Thereupon each Registered Stockist as a rule places orders on the producers of iron and steel up to the quantity allotted to him through the Iron and Steel Controller of the Central Government. In doing so, the Registered Stockists perform a very essential function, *viz.*, estimating and ordering in advance the kind of steel which permit holders are most likely to require. The Registered Stockists are required to report actual stocks and arrivals to the State Iron and Steel Controller who on that basis is enabled to give permits to individual users for supply from specified stockists. All orders on the producers are required to be placed a few weeks in advance of the commencement of the period concerned and must go through the Iron and Steel Controller of the Central Government. The dates are so arranged that the Iron and Steel Controller must get by a specified date orders from the following sources:-

(a) Holders of quota certificates (Orders in wagon loads),

(b) Controlled Stockists (Orders in bulk), and
(c) Registered Stockists.

The Iron and Steel Controller totals these orders and on that basis arranges the production programme of the mills with a view to meeting the requirements to the maximum extent possible.

CONTROL OVER SCRAP

Availability of scrap and defective steel is always uncertain, as this stuff arises in the process of manufacture of standard iron and steel and also in the process of its consumption. Sources of scrap, therefore, are too many and it is administratively impracticable to control all of them. Under the Scrap Control Order, therefore, control is exercised over the distribution of raisings of scrap from the main producers of iron and steel and from the Railway Administrations.

Scrap and defectives are broadly classified under the following three heads:-

(i) Melting Scrap.
(ii) Re-rollable Scrap.
(iii) Industrial Scrap and defectives.

Melting scrap and re-rollable scrap are utilised for re-manufacture of standard iron and steel. Industrial scrap and defectives are used for manufacture of consumer goods - mostly agricultural implements. The available quantity of industrial scrap and defectives is placed at the disposal of State Governments for distribution through the Controlled Scrap Merchants against permits. If any stock of scrap remains unsold after 60 days of its receipt by the Scrap Merchant, he is permitted to dispose it of without permits at controlled rates.

CONTROL OVER PRICES

The prices of almost all varieties of iron and steel produced in India have been under statutory control since July 1, 1944. The statutory control over the prices of scrap and defectives was introduced earlier, from February, 1943. Statutory control over wire and wire products was introduced in April 1945 and pig iron prices were brought under statutory control on November 1, 1949. The prices of pipes and fittings, which are all imported, were also controlled with effect from July 1, 1945. Statutory control over tinplate prices was enforced in January 1950. The controlled prices vary from one category to another, from one size to another, from one specification to another, and from one source to another.

EQUALISATION FUND

The prices paid to producers (known as "retention prices") are, however, different. The present retention prices represent the cost of production *plus* a reasonable margin of profit. An Equalisation Fund was created in 1943, intially for the purpose of pooling the prices of steel produced by the re-rollers of varying degrees of efficiency and consequenty having different levels of cost of production. In July 1944, the output of the main producers was also brought under the scope of the Equalisation Fund and in January 1948 the scope of the Fund was further extended to cover a portion of the costlier imported steel.

The Equalisation Fund is an essential feature of the uniform price control which requires all producers, big or small, to sell steel at the same price. The present equalised selling prices have been so fixed that all producers except Tatas, SCOB, Mysore and Electric Furnace owners need neither pay any amount to nor get any amount from the Equalisation Fund. The Retention Prices of Tatas and SCOB are lower than the selling prices and they pay the difference to the Equalisation Fund. Mysore and Electric Furnace owners receive subsidy from the Equalisation Fund as their Retention Prices are higher. The Importers who have been brought under the Equalisation Scheme also receive subsidy from the Fund.

CHECKING AGAINST MISUSE OF STEEL

Misuse of steel is sought to be checked in the following ways:-

(a) All applications for allotment of steel from the Steel Processing Industries, Industrial Development and Maintenance and Packing Quotas, which get about 50 per cent of the total allotments are first scrutinised by the State Governments and allotments are made only on their recommendations.

(b) Lists showing the allotments made to the various parties in the States from the above mentioned quotas are supplied to the State Governments to enable them to check the activities of such parties.

(c) There are field officers under the Deputy Director General, (Dev), Development Wing, who periodically visit and inspect factories getting a quota from the Centre.

(d) All applicants asking for steel are required to state when and for what purpose they have used steel, if any, allotted to them previously. All requirements are checked with reference to drawings, plans, etc.

(e) Enforcement Officers of the Central Enforcement Directorate and the State Governments, exercising full powers of search, seizure and interrogation, are constantly on the watch to detect breach of the Control Orders.

CONTROL OVER EXPORTS

Demand for steel in the country are much in excess of domestic production. India has, therefore, to import considerable quantities to meet even essential local demands. There is, consequently, no exportable surplus in the country.

Small quantities have, however, to be exported regularly to neighbouring countries like Burma, Nepal, Ceylon, French and Portuguese Possessions in India, Pakistan, etc. These are in the nature of token exports.

IMPORT CONTROL

Steel is imported mainly by private parties. Only small quantities are imported on Government account. Licences for import are issued to private parties by the Iron and Steel Controller if the prices of the offers received by them from foreign suppliers are reasonable, considering the present world prices, and the categories of steel desired to be imported are required in the country. Licences are issued liberally without any distinction between various classes of consumers, *e.g.* Established Importers, Newcomers, Consumers and Dealers.

Steel imported by dealers is required to be distributed by them in accordance with the instructions of the Iron and Steel Controller. They are allowed a remuneration of 4 per cent ex-jetty and 7½ per cent ex-godown on the landed cost.

The prices of the steel imported by the Iron and Steel Controller for stock purposes and against the quarterly allotments to Government Departments, which cannot be met from indigenous production, are equalised with the Indian controlled prices. The prices of particular consignments of steel imported by dealers which the Iron and Steel Controller considers necessary to be taken over by him for allocation to permit-holders are also equalised. In such

cases, the importers have to sell the materials at the controlled rates and they recover the difference between their landed cost *plus* remuneration and the controlled price from the Equalisation Fund.

PIG IRON CONTROL

Pig iron is one of the items over which control is exercised through the Iron and Steel (Control of Production and Distribution) Order, 1941. The annual production of pig iron by the producers in India comes to about 17 lakh tons. By far the greater part of it, which is called basic grade pig iron, is used in making steel; the remaining part, which is called foundry grade pig iron, is used by engineering foundries. Imports of pig iron are almost negligible. Allocation of pig iron to foundries is made by the Development Wing attached to the Ministry of Commerce & Industry. The capacity of each foundry has been assessed by technical officers and allocations are made, generally, on a *pro-rata* basis, due consideration being accorded to the type of stores produced. Applications are received from the foundries through the State Governments and allotments made every three months with due regard to the availability of pig iron. Government demands are met in full. A certain amount of off-grade pig iron, not suitable for Indian foundries, was allowed to be exported until recently. At the instance of Government, the Indian foundries have now found out ways to make use of this grade and its export has accordingly been stopped with effect from April 1, 1951.

Prior to November 1, 1949, pig iron prices were not statutorily controlled.

Chapter IV

INDUSTRIAL CONTROL: CEMENT

During the last war, cement consumption for Defence purposes increased tremendously, so much so that nearly 90 per cent.of the total production in the country was being taken up by the Government. To maintain adequate supplies, control over this commodity was introduced in August 1942. In March 1944 control over distribution and price of cement for the public was, for the first time, introduced under the Defence of India Rules. With the lapse of these Rules in September, 1946, there was no legal basis for the continuation of Control, but it was continued through a "gentleman's agreement" with the cement producers. In the meantime, the State Governments

were requested to take up statutory powers in this regard. To ensure uniformity of enactments, State legislations were co-ordinated by the Central Government. At present the Government of India are exercising control over cement through a judicious amalgamation of the informal arrangement with the producers and the States.

CONTROL OVER DISTRIBUTION

Under the present system of distribution, quarterly allocations are made to the various categories of consumers. About a month in advance of an allocation period, estimated production from the producers and demands from the consumers are called for. For this purpose, demands are classified under five heads, *viz.*, Central, State, Agriculture, Rehabilitation and Education. The Central Quota caters to the requirements of Defence, Railways, C.P.W.D., projects sponsored by the Central Government and the Organised Industries. The State Quota meets the demands of the State Governments, quasi Government and public bodies, requirements of the general public and small-scale industries.

The Central Quota demands are collected through the Ministries of Defence, Railways, Transport, C.P.W.D, Power Projects, Central Roads Organisation (for National Highways), Ministry of Transport (for Ports) etc., and other Central Government Ministries. As regards Organised Industries, their requirements are collected and scrutinised by the Textile Commissioner (Textile Mills), Coal Commissioner (Collieries), Iron and Steel Controller (Steel Industry) and Development Wing of the Ministry of Commerce and Industry (other organised industries) The Development Wing obtains the recommendations of the State Governments concerned in the case of the industries whose requirements are coordinated by the Wing.

Separate allotments are made for each of the above quotas and are communicated to the authorities concerned about a fortnight in advance of the period to which they relate. While making these allotments, besides the estimated production of the various cement factories, the outstanding orders carried by them are also taken into account. If some of the factories are carrying heavy outstandings, they are under-booked to enable them to clear their arrears.

REGIONS FOR DISTRIBUTION

In order to effect an economic and equitable distribution of cement, India has been divided into six regions - which

are not in all cases co-extensive with the State boundaries and these regions have been placed under Regional Honorary Cement Advisers.

DISTRIBUTION PROCEDURE

Release of cement from the factories is effected under permits known as Authorisations issued by these R.H.C.As. The Regional Hon. Cement Advisers issue these authorisations in consultation with the Development Wing in the case of the Central Quota and the State Governments in the case of State Quotas. While distributing the Central Quota, the Development Wing, in their turn, issue recommendation letters to the Regional Hon. Cement Advisers on the advice of the respective Sponsoring Authorities e.g., Ministries of Railways, Transport etc. The R.H.C.As. issue the necessary authorisations either on the stockists, if the quantities are small, or on the factories, if the quantities are in wagon-loads. On receipt of these authorisations, the consumers have to place their orders with the Stockists or the Selling Agents of the Producers, as the case may be, for obtaining actual supplies.

In the case of the Agricultural, Rehabilitation and Educational Quotas, the respective Ministries of the Govt. of India distribute them among the various States and institutions, under intimation to the R.H.C.As. concerned, who authorise supplies.

To give the R.H.C.As. authorisations a legal backing, the R.H.C.As. have been vested with statutory authority by the State Governments under their Control Orders.

As regard the State Quota, the R.H.C.As authorise the Cement Factories to place at the disposal of the State Governments the quantities of cement allotted to them. The detailed distribution of their Quotas is effected by the State Governments through their Cement Controllers as well.

MEETING PUBLIC REQUIREMENTS

For meeting the public requirements, each State has its own system, which generally is of the following pattern:

After meeting Governments demands, the State Quota is distributed to the Stockists in the districts for release to private consumers. Some portion is placed at the disposal of the Director of Industries (or some other similar official) for meeting the requirements of small-scale industries. In some States, the Director of Industries only recommends releases to the appropriate State Licensing Authority.

On the basis of this distribution programmes chalked out by the State Cement Controllers, despatch instructions are issued by the Regional Hon. Cement Advisers to the producers, who supply cement to their stockists in the various districts. These stockists, although they are appointed by the cement companies, have to obtain a licence from the State Governments for carrying on their trade in cement.

For obtaining their requirements, the general public have to apply to the District Authorities (usually either the District Magistrate or the District Civil Supply Officer). These authorities, after satisfying themselves about the requirements, issue the necessary permits on the local stockists.

In the case of small-scale industries, applications are addressed to the Director of Industries of the State, who scrutinises the demands and then either releases the necessary quantity himself or recommends its release to the State Cement Controller, according to the system prevailing in the State.

PRICE CONTROL

The prices of Portland cement (ordinary grey variety) have been under statutory control since March 1911. There is neither price nor distribution control over white or coloured cement. Cement prices are fixed by the Government of India from time to time mainly on the basis of its average cost of production. There are two sets of prices, one for the general public and another for supplies against the Government Rate Contract. The latter are also based on the public prices, the difference being that they are ex-works against F.O.R. destination prices for the public and there is a special rebate. The Government of India fix only wholesale prices i.e., for full wagon-loads. Retail prices are fixed by the State Governments on the basis of these wholesale prices and these vary from district to district. Till June 30, 1949 there was only one wholesale price for supplies to public throughout India. With effect from July 1, 1949, a specially higher price was allowed to three new factories, one in Saurashtra and two in South India.

Till May 31, 1951, cement prices were inclusive of packing. Recently, they have been revised in view of the rising cost of packing material and, with effect from June 1, 1951, prices have been fixed for loose cement and an additional packing charge has been permitted, subject to a fixed ceiling.

IMPORTED CEMENT

For a considerable time after the war, fairly large quantities of cement were imported to supplement the indigenous production. But control over the price and distribution of imported cement was all along exercised by the State Governments concerned. Its prices used to be fixed on the basis of its landed cost. A check over its movement from the Port States to inland States was kept to prevent black-marketing in it. Now, because of increase in the indigenous production, imports have almost stopped.

EXPORT CONTROL

As a corollary to distribution control, exports of cement are also controlled. Only cement producers or their authorised Sales Agents are permitted to export cement. First of all they have to apply to the Development Wing of the Ministry of Commerce and Industry in the prescribed manner for an export licence. The Development Wing of the Ministry grants export licences in consultation with the Ministry of Commerce and Industry, keeping in view the local supply position. The Regional Hon. Cement Adviser concerned is informed of the grant of the export licence, and on being approached by the producers, issues them an authorisation covering the quantity to be exported. Only then can the producers or their Agents go ahead with the export.

There is no control over the export price of cement.

PRODUCTION CONTROL

Cement production is being indirectly controlled, in the same sense that no new factory can be set up without Government sanction. This control is made possible because of a statutory control over capital issue and import of plants and machinery. Coal, a basic raw material for this industry, is also statutorily controlled.

The industrialists desirous of setting up a cement factory have to apply to the Ministry of Commerce & Industry, giving full information about their financial standing and complete details about the site chosen: its distance from the nearest railway station, availability of labour, the existing availabilit and demand for cement in the area round about, etc., with a qualified geologist's report about the availability thereof, the major raw materials of suitable quality, primarily lime-ston free from magnesia and gypsum.

To obtain technical opinion on these schemes, the Government of India have appointed an Hon. Consulting Engineer.

Chapter V

INDUSTRIAL CONTROL: SUGAR

Due to abnormal conditions created by the last war, control over sugar was instituted in April 1942, to ensure an equitable distribution of available supplies at reasonable prices.

REMOVAL AND REIMPOSITION OF CONTROL

The Control was, however, completely removed on December 8, 1947, as an experiment in decontrol. In July-August 1949, the prices of sugar shot up and the stocks became scarce; to meet the situation, therefore, the Government reimposed Control over sugar from September 2, 1949. Later, Control over gur and khandsari was also imposed.

The powers of control over sugar and gur are derived from the Essential Supplies (Temporary Powers) Act, 1946. An Order, namely Sugar and Gur Control Order, 1950, has been issued under this Act making provision for control over production, prices, distribution and movement of sugar including khandsari and gur. Powers under the Sugar and Gur Control Order have been delegated to State Governments as and where necessary.

PROCEDURE AND MACHINERY OF IMPLEMENTATION

Under the said Order, the Central Government exercises Control over the entire production of sugar in the vacuum pan factories. They have also taken over the function of fixing minimum sugarcane prices to be paid by the sugar factories. Ex-factory prices of sugar are fixed by the Central Government for all factories in the Indian Union. They also allot quotas of sugar to various States for consumption therein. The quotas of the various States have been fixed after taking into consideration their requirements calculated on the basis of per capita consumption during the previous control period.

Against allotments made to States, Release Orders are issued to sugar factories in the name of the States concerned. The State Government make arrangements to obtain supplies from the factories, either through official channels or by appointing dealers or dealers association as nominees. Distribution within the State is arranged by the State authorities themselves. There is no statutory rationing in any State, but sugar in urban areas is distributed through Ration or Fair Price shops

and in rural areas through Village Committees, Relief Quota shops, Co-operative Societies or through Official Agencies. In some States even full rationing has been introduced in rural areas.

Wholesale and retail prices of sugar are fixed by the State Governments on the basis of ex-factory prices fixed by the Central Government, after taking into account costs of transport and merchandising charges etc. previously approved by the Central Government.

Control over gur and khandsari at present exists only in respect of price. Ceiling prices have been fixed in respect of both these commodities - on the basis of costs of production and marketing in producing areas and in deficit areas on the basis of price fixed for producing plus freight, cartage, merchandising charges etc. During the crushing period restrictions over inter-State movement of khandsari are also imposed with a view to making the price control effective.

PRESENT POSITION - PARTIAL DECONTROL

The sugar policy framed this year was an innovation in that it was a new experiment in partial de-control. In order to give all incentive to sugar factories to maximise production, they were allowed to sell in the free market any production in excess of the basic quota fixed by the Government in this connection. The basic quota was so fixed as to ensure a supply of 10 lakh tons of sugar for Government for controlled distribution. Under this system the consumer is assured of his minimum requirement at a fixed reasonable price and those who require additional quantity and can afford to pay higher prices are able to get their requirements from the free market. There is no control of any kind on sugar released for free sale, except with regard to inter-State movement to certain border states. To give further incentive to the sugar factories for increased production, region-wise ex-factory prices were fixed taking into consideration varying costs of production in each area.

Chapter VI

INDUSTRIAL CONTROL: VANASPATI

Control over vanaspati prices was imposed in 1945, when Government was purchasing about 50 per cent of the total production in the country for supply to Defence Forces. The aim was to ensure an equitable distribution of supplies, which were much short as compared to demand, and to maintain prices

within reasonable limits. To ensure planned development and expansion of the industry, control is also being exercised on capital issue, issue of import licences and controlled materials. Since the quality of vanaspati produced by certain factories was considered injurious to public health, measures have also been taken to ensure that all production conforms to certain minimum standards of quality.

The powers of control over vanaspati are derived from the Essential Supplies (Temporary Powers) Act, 1946. An Order, *viz.*, The Vegetable Oil Products Control Order, 1947, has been issued under this Act. The Order provides for control over the quality, prices and distribution of V.O.products.

CONTROL OVER PRICES

For the purpose of price fixation, the country has been divided into four zones, *viz.*, Western, Southern, Eastern and Northern. The prices are fixed on the basis of average raw groundnut oil price in the particular zone plus a fixed charge for processing and cost of tins, excise duty, railway freight and profit. Prices are periodically adjusted with changes in oil prices.

CONTROL OVER QUALITY

The object of the Government in exercising quality control over vanaspati has mainly been to make it clearly distinguishable from ghee, ensure its purity from harmful and injurious ingredients and lessen its use as an adulterant. After careful consideration by experts, minimum standards of quality have been laid down under the V.O.P.C Order. The specifications, besides providing various constants and characteristics of hydrogenated products, lay down that -

(1) It shall not contain any harmful colouring, flavouring or any other matter deleterious to health; and

(2) The melting point of vanaspati shall be from 33 degrees C to 37 degrees C both inclusive. The maximum melting point thus approximates to the temperature of human body and, therefore, does not impair its digestability.

IN ORDER TO MAKE IT DISTINGUISHABLE FROM GHEE AND CHECK ITS ADULTERATION WITH THAT PRODUCT, THE GOVERNMENT OF INDIA HAVE ALSO TAKEN THE FOLLOWING MEASURES, UNDER THE CONTROL ORDER:

(1) The oil from which vanaspati is manufactured has to be stated in the main body of label or containers containing vanaspati;

(2) Vanaspati containers are to be marked and identified in such a way that the consumer is left in no doubt as to what the containers contain;

(3) It is obligatory to add at least 5 per cent. of sesame oil in vanaspati. This incorporation of sesame oil in vanaspati makes it possible to detect, by means of a simple chemical test, the adulteration of ghee with vanaspati;

(4) It is an offence to stock or sell vanaspati on the same premises where ghee is stocked or sold;

(5) Every dealer in vanaspati is required to put up a sign board at his premises indicating that hydrogenated oils are sold in those premises;

(6) Every container in which vegetable oil product is packed has to bear the month and year of manufacture; and

(7) No colour or flavour resembling the colour or flavour of ghee shall be added to vegetable oil product.

The search for a colour to distinguish vanaspati from ghee and detect its presence when adulterated with ghee is being continued.

CONTROL OVER EXPANSION OF INDUSTRIAL UNITS

The present policy of the Government is not to encourage expansion of vanaspati factories. This is secured by controlling imports of machinery and capital issue and restricting the supply of controlled material such as tinplate, steel, cement, coal, etc.

Enforcement of a V.O.P. Control Order is mainly the responsibility of State Governments. In order, however, to enforce the quality standards, there are two Inspectors attached to the Office of the Vegetable Oil Products Controller for India who collect samples of vanaspati from the producers in various areas. These are analysed in Government laboratories and the factories whose samples are not found in accordance with the prescribed specifications are prosecuted through the State Government concerned. The check at the source has proved very useful as vanaspati is sold in sealed containers and in case it is produced according to standards laid down there is not much possibility of its quality being impaired in the intermediate stages of sale.

Only a general watch on distribution is being kept. The factories are required to get their distribution arrangements approved from the Controller. They are, however, free to sell according to varying demands in consuming areas, through wholesale dealers approved by the Controller.

Chapter VII

INDUSTRIAL CONTROL : FERTILISERS

During the last war, there was an acute world shortage of nitrogenous fertilisers, which came under international control of the International Emergency Food Council. The supplies allocated to India by that body and the local supplies were much less than the total demand of these fertilisers in the country. In order to ensure that the available supplies were equitably distributed and made available to agriculturalists at reasonable prices, it was considered essential for Government to control the import and distribution of nitrogenous fertilisers. A State Trading Scheme was accordingly started in 1943-44, whereby the entire quantities of fertilisers allocated to India by the I.E.F.C. were imported on Government account and the entire local production was also purchased on Government account and distributed to the various State Governments etc., according to their demand, on a "no profit no loss" basis. It was subsequently realised that the use of phosphatic manures was also essential, along with nitrogenous fertilisers. The Nitrogenous Fertilisers Pool mentioned above was, therefore, enlarged in 1948 so as to include within its scope phosphatic manures also. Under this Pool, the local production of single superphosphate is purchased by Government at prices recommended by the Tariff Board and sold at a uniform price, fixed from time to time, to the State Governments in such a way as to ensure maximum food production.

CONTROL OF IMPORTS

The import of chemical fertilisers in India is regulated by the Ministry of Commerce and Industry, under the Import Trade Control Orders. For the period July-December, 1951, applications in respect of the import of all fertilisers, excepting rock phosphate and sodium nitrate, muriate of potash and sulphate of potash, are considered ad-hoc only on the recommendations of the Ministry of Food & Agriculture. The imports of muriate of potash and sulphate of potash are allowed freely, while those of rock phosphate and sodium nitrate are under O.G.L. XXIII. While legally the position is as described above, in actual practice chemical fertilisers (nitrogenous) are imported only on Government account and imports are allowed only by those private parties on whom Government place a contract for supply to Government for distribution under the Central Fertiliser Pool. Out of nitrogenous fertilisers, only sulphate of ammonia is imported at present, though in the past other forms of nitrogenous manures were also imported.

Imports of superphosphate are not generally allowed as the local production is sufficient to meet the requirements.

On the distribution side, the Government make allocations to the State Governments and other organised industries like tea, coffee, sugar, etc. The internal distribution within each State is left to the State Government concerned. These normal distribution channels are State Depots, Co-operative Societies or Organised Distributors.

PROCEDURE AND MACHINERY OF CONTROL

The import of fertilisers under the State Trading Scheme being strictly on Government account, stocks on arrival at the ports are handled by the various firms appointed by the Government of India every year, as the clearing and forwarding Agents at the ports through the usual tender system. The C. & F. Agents are responsible for clearing the consignments, storing, stocking and despatching the imported supplies according to the instructions communicated to them. The indigenous bye-product sulphate of ammonia purchased from the Iron and Steel Works is also included in the Pool. It is handled through M/s. I.C.I. (India Ltd., who are the sole agents of the producers. In this case also, the material is disposed of in accordance with the instructions issued by the Food and Agricultural Ministry. The value of the supplies delivered to the State Governments is realised through book adjustment and in case of allottees other than State Governments, through cash payment deposited in the Government Treasury in advance.

The planning of imports and the bulk distribution from the Pool to the State Governments and others is done by the Ministry of Food & Agriculture (Agriculture) which has a separate Fertilisers Section and the necessary accounts staff. The purchase and imports of fertilisers for the Pool are made by the Director General of Supplies and Disposals, New Delhi, on receiving indents from the Ministry of Food & Agriculture. The usual procedure for the purchase of Government stores *viz.,* inviting of tenders and giving contract to the lowest reliable bidder, is followed by D.G.S. & D.

To advise the Government on matters relating to production and distribution of superphosphate, there is a Superphosphate Advisory Panel.

It has been decided to continue the Pool during 1952 and to examine the question of its further continuance after September 1952. Regarding the controlled distribution of superphosphate, the continuance of the phosphatic part of the Pool is desired by the industry itself for its development.

EXPORT CONTROL OF FERTILISERS

Besides the fertilisers, the import, distribution and prices of which are controlled by Government under the State Trading Scheme detailed above, the Government have controlled the export of some fertilisers both nitrogenous and phosphate.

Bonemeal is a very important manure and is obtained as a bye-product in the process of crushing of raw bones. In order to conserve this manurial source, the export of raw bones is not allowed. The export of crushed bones and bonegrist is allowed. Till May 1949, there was a quantitative control on the export of these items and quotas were fixed for each year. For every one ton of bonemeal supplied by the crushers to the Government at a fixed price, they were allowed to export three tons of crushed bones and bonegrist. The position was, however reviewed during 1949 and, in view of the fall in the export price of crushed bones, it was decided to delink the supply of bonemeal from the export of crushed bones. The price of bonemeal has as a result shot up from Rs. 170 to nearly Rs. 280 and the question of linking bonemeal supplies with crushed bones export is under active consideration.

As there is not much demand for manures like hornmeal, hoof-meal, blood-meal, fish- meal etc., due to their high cost, their export is allowed provided the applications for export licences are supported by a "no objection certificate" from the State Government concerned.

The export of oilcakes- a very valuable manure is totally banned, excepting mohwa cake the export of which is freely allowed. Mohwa cake is neither used as manure nor as cattle-feed.

Chapter VIII

INDUSTRIAL CONTROL : COAL

Coal Control is exercised under the Colliery Control Order, 1944, issued originally during the last war under the Defence of India Rules and now continued under the Essential Supplies (Temporary Powers) Act, 1946.

The aims, objects and the major policies involved in the Control are:-

(i) to make the best use of transport and particularly to enable the consumers in difficult transport areas to get their requirements regularly;

(ii) to conserve grades of coal by ensuring that they are not, as far as possible, used by consumers who can do with lower grades;

(iii) to enable regular and equitable offtake of production from collieries in difficult pilot sections;

(iv) to ensure a reasonable price for the consumers and create conditions for stability in the industry; and

(v) to export coal which is in excess of internal consumption.

PRICE CONTROL

Statutory control on prices of coal and coke was introduced in June 1944. The original prices had to be amended from time to time to suit the changing needs of the coal industry. The major revision in coal prices was undertaken in 1947, when the prices were re-fixed on the cost plus profit basis.

The prices as fixed in 1947 for C.P., Berar (now Madhya Pradesh) and Orissa still continue undisturbed.

The prices in the Bengal/Bihar coalfield had, however, to undergo two revisions.

PROCEDURE AND MACHINERY

For the purpose of allocation of coal to various industries, in relation to wagon availability, industries have been classed under different groups in order of importance or priority There are sponsoring authorities, either Central or State, for each industry or consumer, such as the Textile Commissioner for demands by Cotton Mills, the Iron and Steel Controller for iron and steel works, etc., and it is the responsibility of the Sponsoring Authority concerned to ensure that the demands of the various units within a particular group are collected and placed with the Coal Commissioner sufficiently in advance to enable him to formulate the allocation proposals. Allocations are sanctioned about the middle of each month, taking into account the estimated output of coal, the demands of the consumers and the number of wagons available for moving coal. Restrictions etc. placed by the Railways are also taken into account. The allocations sanctioned are communicated to the various Sponsoring Authorities who, in turn, break down the bulk allocation and intimate to the various units of the industry under them.

The Coal Commissioner, with his headquarters at Calcutta, is the executive head for the implementation of Coal Control.

Chapter IX

INDUSTRIAL CONTROL : SALT

Production of salt is controlled under the Central Excises and Salt Act, 1944. The Salt Controller has been declared as a 'Collector' in respect of salt, and he issues licences for the manufacture of salt in areas exceeding 10 acres. The manufacture of salt in areas of less than 10 acres is free and does not require any licence. As regards distribution, there is an indirect control, which is exercised. through the Ministry of Railways (Railway Board) in the shape of allotment of wagons on a priority basis in accordance with a Zonal Scheme of Distribution. The object of this Zonal Scheme is to avoid long haulage, cross movement and transhipment, with a view to maximise the utilisation of the available transport capacity. However, there is no control over the movement of salt in the ordinary course by rail, and its movement by road or river is entirely free. The Ministry of Railways (Railway Board) give priority under section 27 'A' of the Indian Railways Act, 1890, to the movement of salt, if it is offered for despatch in accordance with the Zonal Scheme of Distribution. In addition to this, a Salt (Reserve Stocks) Order, 1950, is also in force, under which a person who imports salt at Calcutta by sea is required to store not less than 10 per cent. of the quantity imported by him in the Government Salt Golah at Calcutta. This Order has been issued under the Essential Supplies (Temporary Powers) Act, 1946. There is no Central Statutory Control over the price of salt; but some of the State Governments have issued Salt Control Orders under the Essential Supplies (Temporary Powers) Act, 1946, to control the distribution and/or price of salt.

Chapter X

INDUSTRIAL CONTROL : COFFEE

Control was applied to only estates of 25 acres and above, and to only 60 per cent. of the crop of such estates which was then estimated as the export surplus of the year. The surplus quota had to be delivered to the coffee pool, the remaining 40 per cent. being treated as internal sale quota to be sold by the planters in the home market.

By a notification issued under an Ordinance in 1943, Coffee Control extended to every estate irrespective of acreage and internal sale quota completely abolished every planter being obliged to deliver his entire crop to the Common Pool except what he was permitted by the Coffee Controller to retain for his domestic consumption and seed for planting. The ex-

tensions of the period and scope of control from time to time were all effected in accordance with the recommendations of the Coffee Control Conferences convened by the Government on the respective occasions. A Coffee Conference convened in April 1946 and consisting of all interests concerned with the Coffee industry unanimously recommended that regulated marketing of coffee, which began in December 1940 should continue by statute after the termination in June 30, 1947, of the Coffee Market Expansion Act promulgated during the last war. The Government accepted the recommendation by passing the above Act on a permanent footing.

CROP COLLECTION

For purposes of crop collection and payment, coffee growers are classified as small growers and big growers. Owners of estates which are either less than 25 acres in area or which produce less than 1 ton of coffee in a year are considered as small growers and all others as big growers.

Small growers are given outright payments *i.e.*, full payment on delivery. If, however, the final sale proceeds are in excess of the anticipated proceeds, on the basis of which the outright purchase price was fixed, supplementary payments are made to the small growers, for, pool proceeds are to be equidistributed among all participating members. The individual output being small, their coffee is received at Collecting Depots, established in and near coffee growing areas for their benefit.

The crop of the big growers are received at important coffee curing centres like Mangalore, Calicut, Coimbatore, Mysore etc. All major Curing Works at these centres are appointed as Agents of the Board to receive and store the coffee, for remuneration mutually agreed upon. Their functions include maintaining Pool accounts, paying Pool dividends for funds furnished by the Board, and effecting deliveries and collection proceeds against sales made by the Board.

PAYMENT TO GROWERS

The big growers receive payment in instalments, the first one being made on delivery and subsequent ones according to Pool sale realisations from time to time. The final amount is paid after the season's Pool stocks are fully cleared. Though it will take more than one year to clear the stocks and declare the final payment, roughly half the amount is generally paid on delivery of the crop and about three-fourths within 3 months of delivery.

The basic rules for distribution of Pool sale proceeds are as follows:

1. The entire money is divided among the growers after deducting the actual Pool administration expenses.

2. Growers receive payment in proportion to the quantity and value of the crop delivered by each, and

3. The value of each lot is determined by the Board's assessors and not according to its actual sale proceeds.

Every lot of coffee delivered to the Pool is valued as per sample drawn from its cured out-turn. The sample is sent to the panel of assessors without revealing its origin. The assessors classify and value the coffee against Fair Average Quality standards of the season's coffee supplied to them by curers, and in accordance with the price differential scale which has been fixed by the Board for every type and grade of coffee. Basic points in the scale are awarded for F.A.Q. coffees and plus and minus points, as the case may be, for qualities above and below F.A.Q.

All sales are made by the Board. The major portion of Pool stocks are sold by auction to bona-fide dealers in coffee, a reserve price being marked for each type and grade to ensure a minimum return to the grower.

With a view to regulate prices and ensure proper distribution at fair rates Pool coffee is allotted at basic prices to the Board's Propaganda Department and Co-operative Societies who are required to retail the coffee to the public at stipulated fair prices. The annual quota so allotted from the 1949-50 Pool was 17 per cent. of the total stocks released for internal consumption and nearly 20 per cent. of 1950-51 stocks set apart for the home market.

Pool releases for the internal market are made monthly in accordance with the principles and programme laid down by the Marketing Committee of the Board from time to time.

Sales for export are conducted by inviting tenders from intending exporters. At the beginning of each season, a certain portion of the crop is set apart for export after providing adequate quantities for the internal market. The quota is released in one or more instalments.

The minimum return to the grower is fixed on the basis of cost of production from year to year. In 1945 the Government sent a Cost Accountant to investigate production costs. He worked out the cost of production for 1941-45 and allowing a certain margin of profit to the grower fixed

a pool basic price. The Board has since then taken his cost figures for materials and labour as basic figures and calculated the production cost for each season in proportion to the percentage of increase, if any, recorded by each item of cost in the respective season.

Chapter XI

RAW MATERIAL CONTROL: RUBBER

Rubber Control, which was introduced in 1942 is now operated through the Rubber (Production and Marketing) Act, 1947, which provides *inter alia* for control over the price of rubber and control over imports with a view to protecting the Indian rubber plantation industry. Provision has also been made for control over exports in order to ensure that indigenous rubber is available for internal consumption which has outstripped production.

Though provision was made in the Act for prohibiting acquisition or purchase and sale of rubber except under a licence issued by the Indian Rubber Board, no necessity for any distribution control was felt until about the middle of 1950 when the world price of rubber shot over the Indian controlled price and demand for indigenous rubber increased. As a result of non-availability of rubber at controlled rates the Government of India decided to control distribution of rubber under the Supply and Prices of Goods Ordinance, 1950. Subsequently, the Rubber Production Commissioner was appointed as the Rubber Controller, with effect from January 6, 1951, with headquarters at Kottayam (S.India).

PRESENT POSITION OF CONTROLS

Though a licence from the Indian Rubber Board is necessary under the Rubber (Production & Marketing) Act for replanting and new planting, no restriction is imposed in issuing such licences. In fact, every possible encouragement is given for replanting and new planting areas with high-yielding materials and for increasing production of rubber on existing rubber areas.

Licences to deal in rubber are issued by the Indian Rubber Board under the Rubber (Production and Marketing) Act, 1947, freely so as not to interfere with normal trade. The Board also issues purchase licences to manufacturers of rubber for quantities applied for by them. It may, therefore, be said that the Indian Rubber Board does not practically exercise any control over distribution of rubber.

But the Rubber Controller is controlling distribution of rubber among manufacturers. He issues permits to transport rubber out of the Travancore-Cochin State and the Malabar District of the Madras State only to manufacturers of rubber goods without specifying the dealer or producer from whom the permit-holder should buy rubber. Such permits are issued ordinarily against quotas fixed on the basis of their average purchases of rubber during the years 1948 and 1949. In the case of firms which came into existence only in 1950 quotas are fixed on the basis of their average purchses during 1950. Quotas of new firms who have no previous purchases to their record are fixed on recommendations from the Dy. Development Officer (Rubber), Ministry of Commerce and Industry, New Delhi, or the Director of Industries of the State concerned.

Thus, at present, a manufacturer can transport out of the above mentioned areas only that quantity of rubber which is covered both by a permit from the Rubber Controller and a licence from the Indian Rubber Board. Dealers licensed by the Indian Rubber Board are not given any permits by the Rubber Controller as they can move rubber against permits issued by him to manufacturers. As there is no restriction on movement of rubber within the Travancore-Cochin State and the Malabar District, no permit from the Rubber Board's licence for a manufacturer or dealer in these areas to acquire rubber. The main object of the Control exercised by the Rubber Controller is to distribute the available quantity of indigenous rubber among the manufacturers in as equitable a manner as possible.

EXPORT CONTROL

As indigenous production of rubber is short of the total requirements of manufacturers in the country, no rubber is ordinarily allowed to be exported out of India. In the case of sole crepe, however, the production of which is in excess of domestic demand, an export quota is fixed by Government every year on the recommendations of the Indian Rubber Board. The quota sanctioned by Government is allotted by the Board only among the various producers of sole crepe who desire to export the material on the basis of their production during the year preceding the one to which the quota relates.

IMPORT CONTROL

Generally, import of rubber by manufacturers is allowed by Government on the recommendation of the Indian Rubber Board to the extent to which indigenous production of rubber is short of the total requirements in the

country. In addition, manufacturers are allowed to import during a half year a quantity equivalent to the dry rubber content of rubber goods exported by them during the previous half-year but one, irrespective of the supply position in the country, in order to aid the export drive. Those who are not manufacturers of rubber goods are not allowed to import raw rubber under any circumstances.

PRICE CONTROL

The prices of raw rubber are fixed by the Government of India from time to time in consultation with the Rubber Price Advisory Committee as provided for by the Rubber (Production & Marketing) Act. The prices of rubber were revised on the last occasion on May 21, 1951. This revision was made on the recommendations of the Indian Tariff Board and as usual in consultation with the Rubber Price Advisory Committee. The prices are to continue to be in force for a period of one year from the above mentioned date.

Chapter XII

RAW MATERIALS CONTROL: JUTE

There are at present no control on production and prices of raw jute. The control on raw jute prices, which came into force on September 30, 1949, was lifted with effect from March 9, 1951. There are no controls whatsoever on the procurement and imports of raw jute of Indian origin, while control does exist in the case of raw jute imports from Pakistan. Controls also exist in the matter of distribution of raw jute of both Indian and Pakistan origins as well as in the case of raw jute exports. In short, controls are in force in respect of raw jute in connection with the following:-

(1) Imports of raw jute from Pakistan.

(2) Distribution of raw jute; and

(3) Export of raw jute.

RAW JUTE FORM PAKISTAN

On December 14, 1950, an Ordinance called "West Bengal Raw Jute and Miscellaneous Provisions Ordinance" was promulgated by which direct purchase of raw jute by mills from any seller, dealer or baler was totally banned and purchases were only allowed to be made through the Central Jute Board-a statutory body set up under the Ordinance to control the sale and distribution of raw jute to mills. This Ordinance was replaced by the Raw Jute (Central Jute Board and Miscellaneous Provisions) Act on February 20, 1951, which embodied the provisions of the Ordinance. The object of the Ordinance and the Act was to ensure distribution of raw jute, which was in short supply, among mills according to individual needs.

Provisions were also made under the Ordinance and the Act for fixing minimum prices for raw jute and for licensing of holders of raw jute stocks.

Import quota allocations are made to mills by the Indian Jute Mills Association periodically in respect of both Indian and Pakistani jute(separately) on the basis of individual consumption (it has recently been decided to issue quotas in future on the basis of loom strength) and passed on to the Central Jute Board for approval and subsequent issue of purchase quotas. The intending importer then applies to the Joint Chief Controller of Imports and Exports and produces with the application the quota permit as well as satisfactory evidence of loading in Pakistan, when he issues Customs Clearance Permit etc.

PROCEDURE FOR IMPORTS

It was decided by the Government recently that, for the present and with immediate effect, Customs Clearance Permits with Exchange Control copies for the import of raw jute from Pakistan (1951-52) would be issued to jute mills freely and to non-mills subject to a ceiling of 2 lakh bales upto October 31, 1951 against the total stipulated supply of 8.12 lakh bales. It was notified that, for issue of licences to non-mill interests, applications should be made in prescribed form with

(a) a Treasury Receipt showing the deposit of the requisite import licence fee; and

(b) documents of firm contracts and valid Income-tax Verification Registration Number or Exemption Number.

On receipt of such applications, provisional licences will be issued which will enable the holders to open letters of credit in favour of their Pak suppliers. The provisional licence will be confirmed by the Joint Chief Controller of Imports, Calcutta, within a month of their issue on production of documentary evidence by the importer to the effect that a letter of credit has been opened. The importer will also have to execute a bond on the prescribed form that he will sell the imported jute to a mill in India within a fortnight of its arrival.

Distribution of raw jute, so far as Pakistani jute is concerned, has been discussed in the foregoing paragraphs. As regards Indian jute, purchase quotas are issued to mills in the same manner as in the case of Pakistani jute, quotas being similarly issued by the Central Jute Board. The introduction of this quota system has been necessary for the purpose of equitable distribution of raw jute among the mills and also to keep the prices at reasonable level.

EXPORT CONTROL OF RAW JUTE

Devaluation of Indian rupee took place on September 19, 1949; but Pakistan decided not to devalue its currency and fixed the rate of exchange at 144 Indian rupees for 100 Pakistan rupees. This raised the already high prices for Pakistani jute by another 44 per cent. The Government was, therefore, faced with the problem of raw jute supply at reasonable prices. Therefore, among other measures, export of raw jute was prohibited in order to conserve raw jute supply within India. To avoid undesirable developments, exports were allowed only in the case of firm contracts till June 1950, after which a complete ban was put on raw jute exports. The position has since then remained unchanged so far. Since 1950-51, restrictions on the production of jute have been withdrawn. Measures have since then been adopted to increase its production in the country.

CONTROL ON PRICES

Control on the prices of raw jute was first imposed during the last world war. In October 1946, however, it was felt that there was no need for controlling jute prices. Accordingly all controls on prices were withdrawn. But, towards the end of 1949, shortly after devaluation, when it was realised that jute from Pakistan would appreciate in terms of the Indian rupee, the Government of India got the Indian Jute Mills Association to fix maximum prices of raw jute and jute goods at Calcutta. The prices for baled jute were fixed by West Bengal Government in pari with the basic price for bottoms. Similarly, the Government of Bihar and Assam also fixed certain prices for raw ju

In the beginning of 1951, it was felt that there was no longer need for controlling the prices of raw jute. On March 9, 1951, therefore, the control on the prices was lifted. At present there exists no control on the prices o jute.

JUTE MANUFACTURES

No statutory control over production and distribution of jute manufactures is exercised by the Central Government. But, on the advice of the Central Government, the States of West Bengal, Bihar, U.P. and Madras have taken legislative measures to control production, distribution and sale of jute manufactures. This is being done under their respective Jute Goods (Control) Acts.

Export of jute goods from India is controlled by licensing under the Import and Export Act, 1947. Exports

to hard currency countries are licensed freely while exports to soft currency countries are regulated by destinational quotas. When the quota for a destination is 500 tons or more, 75 per cent.of it is given to established shippers and the remaining 25 per cent. given to 'new-comers' who are already in the jute goods trade. Where the quota is less than 200 tons, the entire quantity is operable by established shippers only.

Prices of jute goods for export were subjected to statutory control of the Central Government, by their Jute Goods (Export Control) Order, 1949, issued in October 1949. This Control has, however, been withdrawn with effect from March 10, 1951.

Chapter XIII

RAW MATERIAL CONTROL: WOOL

Raw wool has been a free commodity and there has never been any control over its production. There was no control either on distribution within the country till November 23, 1950. A notification announcing that "tannery wool produced within the States of Madras and Mysore shall not be transported by rail, road, air or water to any destination other than Bangalore, Wallajah and Salem except under a permit issued by the Director of Industries Madras, or the Director of Industries, Mysore, as the case may be was issued on that date by the Late Ministry of Industry and Supply" The primary object of the imposition of the restriction on the movement of tannery wool was to assist the South Indian drugget industry, which found it difficult to obtain its requirements of tannery wool at reasonable prices.

Upto July 7, 1950, raw wool was not subject to export control. A temporary ban on its export was imposed on that date. This ban had to be imposed because heavy exports of a raw wool had taken place and Government received representations to the effect that the wool using industry in the country was not able to secure wool at reasonable prices. Although this ban was imposed, shipments were allowed in certain cases where commitments had been entered into with foreign buyers before the ban. The position is reviewed from time to time and exports permitted up to possibility, consistent with domestic needs.

In addition to exports of Indian wool, in the manner indicated above, exports of Tibetan wool are also allowed from the port of Calcutta.

Chapter XIV

RAW MATERIAL CONTROL: COTTON

Control on cotton was first introduced in April 1943. This control continued from year to year upto January 19, 1948, when Government announced that the statutory control over floor and ceiling prices would cease. From that period, till August 21, 1948, cotton prices remained decontrolled. With the reimposition of control over cloth and yarn in August 1948, however, it was found necessary also to exercise control over cotton. The main features of the control were the fixation of floor and ceiling prices, licensing of stockists and regional *ad hoc* arrangements for equitable distribution of available stocks of cotton. The Control was exercised during the 1948-49 cotton season through orders promulgated by the Provincial Governments. But, with effect from 1949-50 season, the Central Government assumed powers of control by including cotton as an essential commodity under the Essential Supplies (Temporary Powers) Act, 1946. The main features of the Control in 1949-50 were the fixation of statutory ceiling prices for each principal variety of cotton, dividing the country into a number of zones with restrictions on the movements from one zone to the other and fixing quotas for each mill from the purchase of specific quantities of cotton from each zone. There was no control on the price of kapas and the mills were also free to purchase kapas.

Government found it necessary to strengthen Cotton Control, so as to make it more effective, in the 1950-51 season. Two innovations, therefore, made. The mills were prohibited from buying kapas and Government took powers to appoint nominees for the purchase of cotton in any zone for the purpose of distribution to mills according to the quotas allocated, keeping the mills off the market altogether. In order to give a fillip to larger cotton production, the prices were also raised by Rs. 150/- per candy over the 1949-50 prices.

The nominee system was brought into operation wherever prices showed a tendency to pierce the ceilings.

The main defect experienced during 1950-51 was that it was not found possible to maintain a check over the quality of cotton brought to market. It was, therefore, decided that in the 1951-52 season effective machinery should be established to maintain check over qualities, so that average quality cottons secure their basic ceiling prices and staple lengths and qualities premia over the basic rates. Inferior qualities and admixtures would be subject to discounts. To encourage the cotton grower, the basic ceiling prices have

been increased by Rs. 50/- per candy over the 1950-51 prices for all varieties. Certain amendments have been issued to the Cotton Control Order, 1950, which provide that, instead of the nominees, the trade in cotton shall be carried on by three classes of licensees, namely, A, B and C licensees. The A class licensees will be allowed to operate in more than one cotton zone and will be appointed by the Textile Commissioner from among persons who had sold a minimum quantity of 3,000 bales of Indian cotton directly to any manufacturer during any of the cotton season, 1948-49, 1949-50 and 1950-51, and have ordinarily carried on business in cotton in more than one zone. The A class licensee will not be permitted to purchase any Kapas. The B class Licensee would be selected by the Textile Commissioner from among dealers in cotton who have sold a minimum quantity of 1500 bales of Indian cotton directly to any manufacturer during any of the three cotton seasons referred to above in any zone. The C class licensee would be selected from among persons who do not qualify either for A or B class Licensee but have ordinarily carried in trade in cotton in their respective local areas and have held a licence on or after 1st September 1950. The State Government will be the licensing authority for C class. For enforcing quality control the Textile Commissioner will from time to time notify the correct price, on the basis of staple length and class of each crop and also prescribe that anyone asking for premia above or discount below this price will have to obtain a certificate from the Sworn Surveyors of the East Indian Cotton Association specifying the correct staple length and class of the cotton and the price payable after a survey of smples.

VARIETIES OUTSIDE CONTROL

Six varieties of cotton *viz.*, (i) CO4/B40 (formerly known as Rajapalayam), (ii) Buri 0394, (iii) Punjab 216F, (iv) Punjab 320F, (v) Laxmi and (vi) M.A. 5 have been left outside Control during the 1951-52 season provided that-

(a) the area where the cotton is grown is protected;

(b) no variety other than the one approved by the Agriculture Department concerned is grown in that area;

(c) the crop is "rogued";

(d) the ginning and pressing is done under departmental supervision; and

(e) certificate of purity is issued by the Agriculture Department concerned.

All the above six varieties of cotton are recently developed cottons and therefore Government want to encourage their growth by keeping them outside the Control.

CONTROL ON EXPORT & IMPORT

Since partition, India has become a net importer of cotton and her exports have dwindled to about two lakh bales, comprising of Bengal Deshi, Assam and Comillas only which are permitted to be exported.

Licensing is done on the "First-come-first-served" basis, the quantity to be licensed to any single exporter being limited to 4,000 to 5,000 bales.

India's dependence on foreign cotton supplies is to the tune of about 12 lakh bales. This deficit is met through imports from the U.S.A., Egypt, East Africa, Sudan, Peru, Pakistan, etc.

Imports are subject to monetary ceilings fixed by Government separately for (a) Dollar areas (U.S.A.) and (b) Soft Currency countries.

U.S.A During 1950-51, American cotton was subject to (a) export licensing by that country and (b) a system of country-wise allocation. Under this system India was allotted in all 2,41,000 bales (of 500 lbs. each).

Soft Currency Countries. Imports from all countries, except East Africa, were licensed freely, provided (a) the staple length of the cotton was 7/8" or better, (b) import was against sale to mills.

East African cotton was imported under a bulk purchase contract, concluded by the Governments of India and the U.K. Raw Cotton Commission with the East African Government.

For the 1951-52 season, in the U.S.A., the country-wise allocations system has been discontinued, though export licensing continues on a free basis. Government have decided to license imports upto 6 lakhs bales of 500 lbs. each from that country. Mexican Cotton will also be licensed to a limited extent.

As regards the policy for Soft Currency countries for the current season, no agreement has so far been concluded for the purchasing of the season s East African crop. The Sudan Government have promised that they would arrange to supply India 60,000 bales of cotton from their 1951-52 crop.

Chapter XV

TRADE CONTROL : IMPORTS

Import Trade Control was first introduced during the last World War, in May 1940, as a war measure. It underwent changes from time to time during the war and post-war periods to meet the needs of the changing circumstances. Since July 1949, the basis of the import policy has been to restrict

imports to the extent it is possible to finance within the country's foreign exchange resources. In this context, adequate provision is made to license essential requirements of capital goods and machinery, raw materials for industry and essential consumer goods for the maintenance of public health as a first priority.

Following the outbreak of the Korean War, it was found necessary to stockpile certain articles. Further, certain articles were found to be in short supply throughout the world. With a view to obtain sufficient supplies of raw materials for industry and essential consumer goods, it was decided to broaden the scope of O.G.L. already in existence.

OBJECTS OF CONTROL

The basic objectives of Import Control Policy are:-

(a) to limit the aggregate imports, on Government or Commercial account, to the total available foreign exchange earnings from different sources;

(b) to distribute the available foreign exchange resources in the most equitable manner among the commodities required for

- (i) the planned development of agriculture and industry, and
- (ii) the essential requirements of consumers;

(c) consistently with the above, to moderate the fluctuations in the prices of particular commodities, where they may have abruptly risen much above the parity of the general level of prices on account of shortages resulting from deficiencies in supply or other causes.

FOREIGN EXCHANGE ALLOCATION

With a view to achieving the first objective, the foreign exchange budget is prepared every half-year, which lays down the financial frame-work within which Import Control policy must function. Steps are taken to prepare as far as possible correct estimates of India's import requirements of various articles. In the case of articles manufactured in India, it is ascertained in the first instance

(a) whether the domestic industry produces the commodity in sufficient quantity to meet domestic needs; and/or

(b) whether the quality of domestic production conforms to such minimum specifications as may have been laid down for the commodity or as may be acceptable to the trade; and

(c) whether the unit price of the commodity is reasonably competitive in the circumstances of its manufacture in this country. Import priorities in the case of articles which compete with domestic products are determined on the basis of recommendation of the Development Wing of the Ministry of Commerce and Industry.

The available foreign exchange is then distributed over the whole range of imports according to the priorities allotted to various articles.

LICENSING POLICY

After a specific exchange allocation has been made for different articles, the licensing policy in respect of imports is decided. Certain articles are included in O.G.L. In selecting articles for inclusion in this category, it is seen whether the commodity is not available in acceptable quality and price in this country and it is essential for the needs of the industry or for the maintenance of public health or life of the community.

LEGAL BASIS OF CONTROL

From May 1940 to September 1946, the Import Control was exercised under the powers vested under the Defence of India Rules. After the end of the war and the lapse of the Defence of India Rules in September 1946, the Control was continued in force by the Emergency Provisions (Continuance) Ordinance, 1946, for a period of one year, in order to avoid any disturbance during the transition period. In the interests of the economic stability of India, however, it became necessary to continue the control for a further period and this was done by a special legislation enacted for the purpose in the form of the Imports and Exports (Control) Act, 1947. The legal sanction for Control is now provided by this Act, as amended. The Import Trade Control Notification No. 23-ITC/43 dated July 1, 1943, with all its subsequent amendments, continues in force under the provisions of this Act. In 1950,

Goods imported in contravention of the Imports and Exports Control Act, or the Notifications or Orders issued in pursuance thereof from time to time, are liable to be penalised or confiscated by the Customs authorities under the Sea Customs Act, 1878, and the Rules and Regulations made thereunder.

CONTROL AND METHOD OF LICENSING

Except gold, silver, bullion, coins etc., which come under the jurisdiction of the Reserve Bank of India, all articles are included in the Import Control Notification

dated July 1, 1943, as amended from time to time. Articles thereunder are subject to import licensing and every consignment of such goods must be covered by an import licence, unless it is covered by an Open General Licence issued by the Central Government or covered by an exception to the same Notification. The principal exceptions are in respect of goods required by the Central Government for Defence Services or indented through D.G.I.& S. or goods imported by a person per post for his own use. The Schedule to this Notification is divided into six parts, namely:-

FERROUS AND NON-FERROUS METAL ITEMS

PART I

Controlled categories of iron and steel items are under the jurisdiction of the Iron and Steel Controller (Imports). Uncontrolled categories of iron and steel items are licensed by the Deputy Chief Controller of Imports, Calcutta. Non-ferrous metals are licensed by the Chief Controller of Imports at Headquarters.

PART II

Part II of the Import Trade Control Schedule covers engineering stores and machinery and allied items required for the Jute, Iron and Steel, Electrical, Road Rolling and Transport, Tea, etc.

PART III

This part covers items required for the textile industry (other than jute and hemp) including raw cotton and coal-tar dyes. The goods are licensed by the Deputy Chief Controller of Imports, Bombay.

PART IV

Part IV of the Import Trade Control Schedule contains mostly consumer goods. These are generally licensed by the Import Trade Controllers at the ports in various State units. But some of the items like medicines and drugs, motor car parts, etc. are licensed by the Chief Controller of Imports, in view of the need for co-ordination with the technical Ministries.

PART V

This part contains essential raw materials and machinery, etc. These articles were previously wholly licensed by the Chief Controller of Imports, New Delhi, but have now been decentralised in part to the Port Offices.

PART VI

Machine tools: The licensing authority for this item is the Development Officer (Tools).

The nomenclature and classification of items in the Import Trade Control are based on the classification of the

items in the Schedule to the Indian Tariff Act, 1934, as amended from time to time.

SCHEME OF LICENSING: OPEN GENERAL LICENCES

Even though the Import Trade Control Notification formally prohibits the import of goods mentioned in the Schedule, there are various classes of goods in the case of which imports from particular countries are not intended to be restricted; and therefore, to avoid the necessity of issuing individual licences in such cases, a device known as 'Open General Licences has been used. Goods which have been notified as covered by an Open General Licence may be imported by any party without an individual import licence. The Open General Licences at present in force are:-

(i) O.G.L. No.IV
(ii) O.G.L. NO. XIV
(iii) O.G.L. NO. XVI
(iv) O.G.L. No. XIX and
(v) O.G.L. No. XXI

OPEN GENERAL LICENCE No. IV. This O.G.L. covers bona-fide samples supplied free of charge up to Rs. 250/- and goods required by Consular and Diplomatic Officers and for goods supplied free of charge in replacement of goods previously imported but found defective on arrival.

OPEN GENERAL LICENCE No. XIV. This O.G.L. allows import of certain goods originating and shipped from Portuguese India and Persian Gulf Sheikhdoms.

OPEN GENERAL LICENCE No. XVI This O.G.L. allows imports from soft currency countries of certain items of machinery and raw materials and embraces only 26 items.

OPEN GENERAL LICENCE No. XIX. This O.G.L. permits imports of all goods from some countries in the Middle East and Africa provided the import is made by country craft.

OPEN GENERAL LICENCE No. XXI. This O.G.L. permits imports of certain goods (Schedule 'A') from all countries in the world and certain goods (Schedule 'B') from soft currency countries only.

APPLICATIONS FOR LICENCES: HOW CLASSIFIED

For purposes of import licensing, applicants are divided into three categories, namely:-

(i) Actual users requiring raw materials or semi-finished goods in their industries.
(ii) Established Importers, and
(iii) New-comers.

ACTUAL USERS: In the case of actual users import licences are issued for raw materials and accessories required by them for manufacturing purposes, on the basis of their estimated requirements as certified by the State Director of Industries or other Technical Officers. It may be mentioned that licensing to actual consumers, on an organised basis, started from July/December 1949. Before that each application had to be vetted by the Technical Ministry concerned.

ESTABLISHED IMPORTERS: They have been defined as those whose regular line of business has been in the import trade, the test being proof of past performance. To qualify as an Established Importer, a party has to prove by the production of Bills of Entry or other relevant documents that they had imported the line of goods for which a licence is applied for, in one of the financial years in the prescribed basic period. The verified past import so established is called the quota of the established importers and on this basis licences are granted at the quota percentage laid down for the particular line of goods. A special concession, however, has been made in favour of displaced persons or firms coming from places now forming a part of Pakistan, by which they can prove their past imports by indirect evidence, namely, a bank certificate, foreign suppliers certificates, etc.

NEW-COMERS: The issue of licences to newcomers, *i.e.*, those who do not fall in the category of actual users or established importers, was first started in the year 1947, after the partition. Applications from newcomers are entertained only for those commodities for which there is a substantial monetary ceiling, which adequately covers the interests and needs of established importers and actual users. Previously 10 per cent. of the monetary ceiling was reserved for newcomers in the case of items for which the monetary ceiling was above Rs. 10 lakhs. The general principles which are observed for issuing licences to newcomers were:-

(a) applicant should be a dealer in the same line of trade or in an allied line;

(b) firm's financial standing should be proved by a Bank Certificate or Income-tax Verification Certificate.

AD HOC LICENSING

Ad hoc licensing or licensing on merits is done in consultation with the Ministries concerned and is confined to a range of items in the case of which it is not possible to lay down in advance the basis of licensing as the extent of

actual requirements is not known. Such applications are considered at Headquarters. The applicants have to give justification for such imports.

SPECIAL LICENSING

Special arrangements have been made in respect of applications for raw materials for certain specified industries such as tyres, electric lamps, radios, electric motors, etc. which have received specific assistance from the late Ministry of Industry and Supply. Applications under this head submit one application covering all their requirements of various raw materials, which are dealt with in one section in C.C.I's office. One consolidated licence is given to cover these raw material requirements as certified by the D.G.I.& S or Director of Industries.

Special arrangement has also been made to deal with applications in respect of goods for which a contract has been placed by the Director General of Industries and Supplies. The applicants have to produce a certificate from the Director General of Industries and Supplies showing the number and date of the contract, description of the goods, contratual value, c.i.f. value and expected period of delivery. Similarly, in the case of orders placed by Railways under the control of the Government of India, applications are considered when received through the Railway Liaison Officer with his recommendation. Likewise, special procedure exists for the licensing of Heavy Electrical Plant on the recommendation of the Central Electricity Commission; blanket licences to Oil Companies and Civil Air Lines and to cover the requirements of Newspaper Offices.

PRESENT POSITION

During July-December 1951, the scope of fresh licensing has been considerably restricted. This has been done with a view to simplify the procedure of licensing so as to reduce inconvenience and to ensure prompt issue of licences. Fresh licensing is confined to only a few categories of articles. It has been done by doubling of the January-June 1951 licences on presentation or by issue of supplementary licences equal to certain percentage of the January-June 1951 licences.

Revised definitions of Established Importers and Newcomers were notified on June 23, 1951, but these will be operative from only January-June 1952 so far as Established Importers are concerned. Newcomer's definition will apply in respect of a few selected items and if and when applications from newcomers are invited, applications from only those newcomers who come within the revised definition will be called for. Some concession has been given to new sole-agents also in respect of articles considered essential for the country's economy.

Chapter XVI

Trade Control: Exports

Control over exports of commodities was introduced in India in the early stages of World War II, with a view mainly to preventing essential commodities reaching the enemy and ensuring supplies for successful prosecution of war. It was also designed to conserve essential supplies for civilian consumption in the country and to make fair distribution of available exportable surplus among India's consumers at controlled prices. With the cessation of hostilities, the first two objectives became inoperative, but the continued scarcity of essential commodities has given added importance to the remaining objectives. However, in the post-war period, consistent with internal requirements, in order to facilitate expansion of exports, a progressive policy of decontrol has been adopted and a large number of commodities have been decontrolled periodically. The more important commodities which have been released from control are mica, lac, tea, carpets and rugs, coir and coir products, tanned hides and skins, cashewnuts, tobacco, leather manufactures etc. Besides such decontrol, there has also been relaxation in other directions and a number of commodities have been placed on an Open General Licence.

CONTROL FOR INCREASING DOLLAR EXPORTS

The policy has not only been to increase exports, to enable the country to balance its over-all payment position, but also to direct them in such a way as to yield sufficient dollar and other hard currency resources to pay for essential imports from those currency areas. Certain measures have therefore been adopted for facilitating exports to dollar and hard currency areas, the most important among them being exports of certain commodities under an O.G.L. only to hard currency countries. Specific quotas are also set apart for utilisation by exports for hard currency areas. If a demand from a hard currency area is received for a commodity which is generally allowed for export, such application is given special consideration on merit.

IMPACT OF INTERNATIONAL DEVELOPMENTS

As a result of international conditions, it has become increasingly difficult to obtain certain essential raw materials such as non-ferrous metals, caustic soda, sulphur, asphalt etc. This situation has necessitated a full scale

review of export controls, particularly with the object of ensuring that essential raw materials, the supply of which is now extremely difficult, are not allowed to be exported from the country. As a result of this review, some of the restrictions which have had to be imposed on exports are as follows:-

1. The export of raw hides has been prohibited.
2. The export of non-ferrous metals has been prohibited.
3. The export of asphalt has been prohibited.
4. The export of rubber tyres and tubes has been brought under strict control.
5. A quota has been established for the export of wool, which during the current year is 16 million lbs.
6. The export of raw cotton has been curtailed.
7. The export of oils and oilseeds has been placed on a rigid quota system, and certain varieties of oils and oilseeds which were not previously under control have now been brought under control, *e.g.*, Kurdi and Niger oils.
8. All imported goods as a class have been brought under control.

OBJECTS OF CONTROL

The main objectives of export control are:

1. to encourage exports, consistent with internal requirements, in such a manner as to further the economic development of the country;
2. to canalise exports to yield sufficient dollar;
3. and other hard currencies;
4. to encourage export of processed goods, and
5. to conserve supplies for internal consumption of these commodities which are in serious shortage.

Export Control is now continued under the powers conferred on Government under the Import and Export (Control) Act of March 1947, conferring powers similar to those exercised by them under the Old Defence of India Rules and the subsequent Emergency Provisions (Continuance) Order. The Act was in the first instance in force up to March 1950. It was later amended in 1950 so as to keep it in force for a further period of five years.

CONTROL AND METHOD OF LICENSING

Gold, silver, bullion, coin, currency notes etc. come under the jurisdiction of the Reserve Bank of India. Exports of all other articles, unless they are either decontrolled or placed on an Open General Licence, are subject to licensing by the Ministry of Commerce and Industry.

Commodities controlled by the Commerce and Industry Ministry can be divided into

(i) commodities, the supply position of which is found to be so tight as to warrant a total prohibition of exports from time to time.

(ii) commodities for which the applicants are allotted export quotas with reference to their previous exports during the prescribed basis year years.

(iii) commodities, the export of which is licensed without any quantitative restrictions, and

(iv) commodities which are allowed to be exported within quotas fixed for each destination.

Commodities for which applications are considered on individual merit without insistence on exports during any basic period usually comprise those articles the production of which has been developed during the war period and which are either surplus to internal requirements or for which exports should be found in order to develop the nascent industries.

SCHEME OF LICENSING

Besides those articles which are decontrolled there are a number of articles whose exports are not intended to be restricted. To avoid individual licensing an O.G.L. No. IV has been issued and it covers such items as cotton hosiery, vegetable oil products, art-silk manufactures excluding yarn etc. The Open General Licence No. III permits some specified commodities to be freely exported to dollar and other hard currency areas. The O.G.L. II permits exports of certain items by land to any country adjacent to India and having no seaboard of its own.

Other items which are under control are licensed with or without quantitative restrictions.

CLASSIFICATION OF APPLICATIONS

The general licensing policy is to allow exports through established shippers after earmarking a small percentage of the quota for export by new comers. No application for an export licence from a firm or a person will be considered unless the firm or the person, as the case may be, has been regularly paying income-tax and produces a certificate to that effect.

The export of the various commodities which is covered by the Export Trade Control Notification is either (1) prohibited, (2) regulated under the quota system, (3) licensed freely, (4) allowed on merit or (5) allowed under Open General Licences.

Chapter XVII

FOOD CONTROL : GRAINS

The all-India policy on Food Control, which was started during the last war, was and still is to promote the welfare of the people and to secure a progressive improvement of their standard of living. This includes the responsibility for providing enough food for all, sufficient in quantity and of requisite quality. For the achievement of this objective, high priority is given to measures for increasing the food resources of the country to the fullest extent.

With the lapsing of the Defence of India Rules on the termination of war, an Ordinance, followed by an Act of the Parliament (Essential Supplies (T.P.) Act 1946) was issued under which, while the State Governments were allowed to excercise control over foodstuffs, they could do so only with the concurrence of the Central Government. The provisions of this Act have for the present been extended up to December 1952.

THE BASIC PLAN : ITS PRINCIPLE AND IMPLEMENTATION

The Basic Plan is concerned with the general problem of an equitable distribution of the available foodgrains among the different sections of the population at reasonable prices. This involves (1) the estimation of requirements, (2) the procurement of internal surpluses, (3) the importation of additional supplies to make up the gap between the requirements and internal procurement, (4) the planned movement of available supplies, (5) the rationing of supplies, and (6) the regulation of prices.

Requirements of foodgrains for the country as well as for each State are calculated on a number of different basis so as to provide a check on one another and the final estimate is formulated after taking into account the results of all the different calculations.

The Government have emphasised the importance of certain factors which should be common to the procurement schemes adopted in different States. These are the elimination of competitive buying, the control of movement and transport, the employment of the trade, if necessary, only under official supervision, limitation of number of purchasing agents, the definition of areas of operation of these agents and the proper use of the Foodgrains Control Order as the most effective supporting instrument for procurement. The administrative problem, however, is an enormous one, and the procurement systems

as they have developed since 1943 vary a great deal in their effectiveness from the point of view of mopping up of surpluses. At one end is the system of levy combined with monopoly procurement. At the other is the system by which a portion of the grain reaching the traders is handed over to Government at the approved prices. Midway between the two is the system adopted in the U.P. and the Punjab which aims at cordoning off of surplus regions and of the collection by a Government agency of whatever grain is voluntarily offered in these regions, private trade being banned.

Movement bans working at present are intended not only to facilitate procurement by bottling up stocks and canalising their movement to procurement centres, but also to avoid unnecessary wastage of transport by cross-movements. The nature of the restrictions varies according to the procurement system in force, but in all cases inter-State movement is allowed only on Government account.

RATIONING

The systems of rationing adopted in India are of three types, *viz.* (i) statutory rationing, (ii) non-statutory rationing and (iii) controlled distribution. The objective of each type is the same, *viz.* to ensure that the people who have to buy foodgrains for consumption obtain the rationed quantity regularly at reasonable prices. Statutory rationing binds the Government legally to provide a specific ration to every card-holder and makes it illegal for the card-holder to buy grain except from the ration shop. Under non-statutory rationing and controlled distribution, there is no legal obligation either on the part of the Government or on the part of the rationed population, and purchases from the open market are permissible. Under non-statutory rationing, however, the Government tries to honour the commitments as fully as under statutory rationing. Where only controlled distribution is in force (mostly in partially deficit rural areas), supplies are usually made according to requirements and availabilities.

PRICE CONTROL

The objective of a price policy is to supply grain to consumers at prices which will not unduly raise the cost of living and to procure grains from the cultivators at a price which will assure him a fair return. In pursuance of this objective. the Government of India fixes (a) the issue rates at which rationed foodgrains are issued to ration card-holders and (b) the procurement prices to producers at which the surpluses are procured from them. The State Governments are expected to take measures to ensure that the open market prices do not rise higher than the procurement prices. These measures are enforced by each State through its own administrative machinery.

THE MACHINERY

The machinery for working the Basic Plan consists of:-

(a) a procurement organisation including staff for storage, inspection, movement etc.,
(b) an organisation for distribution including the rationing staff; and
(c) staff for the enforcement of movement restrictions and price control and other measures.

Although the pattern is similar, the strength of the organisation varies from State to State according to the nature of the procurement and distribution systems. The rationing staff employed by various States entirely depends on the extent of the rationed population. It has to be noted that, while the Government of India have the legislative power to exercise controls, they have no administrative machinery of their own to enforce them.

SUBSIDY AND THE PURPOSE

The principle of subsidising imported foodgrains was introduced in 1946 when the landed cost of imported grains became higher than the prices of indigenous grains. The object of subsidising was to prevent an increase in the procurement and issue prices of grains in the country which would have caused hardship to the poorer classes and aggravated inflationary conditions. It was decided that the procurement and the issue prices prevailing on April 1, 1946 should not be raised and that imported grain should be made available to the States at rates comparable with those of indigenous grains. The Central Government undertook to bear wholly the cost of the subsidy.

In calculating the subsidy, the economic cost of the grain is arrived at by adding to the pool prices at which the Central Government sells the grains at port, the cost of transport, handling and other incidental charges up to the wholesale issue stage in the consuming areas. The difference between the economic cost so calculated and the approved wholesale issue prices is the amount of the subsidy which is shared between the Central Government and the recipient States in the ratio fixed.

When the Controls were reimposed in October, 1948, after a short period of decontrol, the procurement and issue prices of indigenous grains were fixed at 25 to 50 per cent higher than the corresponding pre-decontrol prices. In some areas the imported grains then continued to be sold at below the economic cost of indigenous grains.

Since January 1, 1951, a revised scheme of subsidy is put into operation. Under this scheme, Government of India's responsibility for subsidising imported foodgrains was limited to

selected industrial and urban areas and certain highly deficit States like Travancore-Cochin only. For the rest of the country the Government of India would supply imported grains wherever necessary at its pool prices and leave it to the State to subsidise such grain from their own finances if they considered it necessary to do so.

Chapter XVIII

FINANCIAL CONTROL: FOREIGN EXCHANGE

Exchange Control was first imposed in India on the outbreak of the last war, in line with the Control introduced by the U.K. Government, in order to conserve the foreign exchange resources of the country so that they might be utilised for the maintenance of the country's economy and for the war effort. With the end of the war, the necessity of Exchange Control did not disappear, because it was still necessary to have a system whereby the foreign exchange resources of India could be maximised and held by a central authority which could arrange for its expenditure in an orderly manner for rehabilitation and development.

Thus, the Foreign Exchange Regulation Act was passed in 1947 and this Act forms the legal basis of Exchange Control in India. Till the first Sterling Balances Agreement with the U.K. in August 1947 was signed, the Control was limited to transactions with countries other than the Sterling Area, because India could freely draw upon its accumulated sterling balances to finance its balance of payments deficits with the world; but with the signing of the Agreement, a major portion of the balances was blocked and limited sums were released periodically for current transactions. This made it necessary to impose Exchange Control even with the Sterling Area.

The Exchange Control is, therefore, broadly speaking, policy to utilise the resources in the national interests for the maintenance and development of the country's economy. India, however, continues to be a member of the Sterling Area and gets its dollar requirements from the Central Pool. Consistent with the freedom to draw on that Pool for meeting its requirements, it has become necessary to adopt certain common qualitative standards with the rest of the Sterling Area in the matter of expenditure of hard currencies like the U.K. dollars.

PROCEDURES

As regards procedure, arrangements have been stipulated whereby the foreign exchange proceeds of exports, as well as on other accounts, are duly surrendered to the Indian Exchange Control. As regards expenditure of foreign exchange, the bulk

of it is on account of payment for imports. Imports themselves are controlled under the Export-Import Control Act and the import policy depends on the foreign exchange position of the country. When import licences are issued, they automatically carry with them the right to remit the value thereof to the exporting country. All other types of payments, whether on Government or private account can be made only on the basis of general or special authorisations issued by the Government of India or the Reserve Bank of India. Dealings in foreign exchanges are permitted only through dealers and banks, specially authorised for this purpose by the Reserve Bank; this ensures a proper control by the Reserve Bank on all exchange transactions.

The Exchange Control Regulations also provide for restrictions on the export and import of bullion and currency.

Chapter XIX

FINANCIAL CONTROL: ANTI-INFLATIONARY MEASURES

The Government of India have taken a series of measures to deal with the problem of inflation. They are broadly, price control, stimulation of domestic savings and investments and efforts to increase production. There is a comprehensive system of controls on prices, foreign exchange, imports and exports; some essential commodities are subject to allocation. In recent years, Government have also taken steps to regulate credit facilities in order to discourage speculative holding of stocks. Trading in futures has been prohibited in certain commodities and some commodity prices have been statutorily reduced. A vigorous drive for national savings is in operation Steps are also under consideration to extend banking to rural areas for the purpose of mobilising such savings as are available among the agricultural classes. Powers have been taken temporarily by the Central Government to make laws in respect of trade and commerce and the production, supply and distribution of goods. The main object is to evolve the requisite measure of uniformity in policy for the whole country in regard to production and distribution and the regulation of prices. The Essential Supplies (Temporary Powers) Act has also been amended to prescribe drastic penalties for hoarding of food-grains. The Central Government have also taken powers to regulate the supply and prices of a number of essential consumer goods which are likely to disappear into hoards and to be black-marketed. Government have, besides, set up a Prices Advisory Board to advise them on the fixation of prices and other connected matters.

Chapter XX

FINANCIAL CONTROL: INVESTMENTS

Economic development, in the peculiar conditions prevailing in India, has to follow the pattern of mixed economy, *i.e.*, the co-existence of both the private and the public sectors, as envisaged in the Industrial Policy statement of April, 1948. Recognising the need for a co-ordinated Investment Control, to ensure maximum development in relation to limited resources - material, technical and financial - Government have adopted various measures for promoting and regulating investments in India, as set out below.

Certain assurances have been given to foreign capital, in order to secure its flow into India. They were briefly set out in the Industrial Policy statement of April 6, 1948 and was further clarified and amplified in the Prime Minister's statement made in the Indian Parliament on April 6, 1949.

Special concessions, mainly in the form of depreciation allowance, relief in Income-tax and Customs Duty etc., have been given to Industry.

The taxation policy is so framed, to the extent the present financial position permits, as to give impetus to investment in the private sector. In this connection, a number of concessions in income-tax have been given and the Business Profits tax was abolished.

Exchange Control is being exercised to make the best use of foreign exchange resources of the country. This is dealt with more fully in a separate chapter.

The Indian Companies Act ensures, as far as possible, proper management of public and private limited companies which have played a very important part in the industrial development of the country.

Control over capital issues has been instituted.

Control over banking business is being exercised under the Banking Companies Act, 1949, as amended by the Banking Companies (Amendment) Act, 1950.

Import and Export Control is being exercised through a system of licensing procedure by the Ministry of Commerce and Industry.

Through the medium of Indian Customs Tariff, a policy of granting protection to selected industries, after careful investigation, is being followed to promote development of such industries.

The distribution of important industrial raw materials in short supply like coal, steel, cement and cotton is being controlled to ensure equitable and regular supplies to industrial units.

A vigorous drive for national savings is in operation.

The other measures in this connection are shipping law and policy under the Indian Shipping Act; Railway Transport and concessional rates to specified industries; protection in respect of trade marks under the Trades Marks Act, 1940.

CONTROL OVER ISSUES OF CAPITAL

Control on capital issues was imposed in the first instance in May, 1943 to ensure that funds available for investment were utilised for the execution of the war. Since April 1947, this Control has been exercised under the Capital Issues (Continuance) of Control Act, 1947, to secure a balanced development of industry, agriculture and social services. With effect from April 1, 1950, it has been extended for a period of two years under the Capital Issues (Continuance of Control) Act, which was passed in March, 1950. All issues of Capital, *i.e.,* all issues of shares, stocks and bonds, debentures and other investments creating a charge or lien on the assets of a Company or acknowledging loan to or indebtedness of the Company, are subject to Control under the Act of 1947 mentioned above.

Applications for consent to the issue of capital by companies have to be made to the Controller of Capital Issues, New Delhi, according to a prescribed form. Necessary permission to raise capital at home and abroad is given only after a a Departmental Committee consisting of representatives from the Ministries of Commerce and Industry and Works, Production and Supply and also the Reserve Bank, other Ministries and the State Governments, when necessary, finds that the purpose for which capital is demanded fits into the plans of the Central and State Governments or is otherwise desirable. In case the utilisation of Capital Issues requires the use of foreign goods, the Controller of Capital Issues sees that the applicant for capital has already obtained necessary import licence from the Import Trade Control authorities.

The Control of Capital Issues is necessary for the regulation of private investment for a balanced development of industry, agriculture and social services. Sums of Rs. 5 lakhs and below are, however, exempt from the operation of Capital Issues Control.

Chapter XXI

FINANCIAL CONTROL: BUDGET POLICY

BASIS OF BUDGETARY POLICY

The broad basis of budgetary policy in recent years has been, in the first place, to raise the maximum amount of revenue, without, at the same time, drying up the incentive to save, by exploiting as far as possible sources like export duties which bring to the exchequer the benefit of wide disparities between internal and external prices of the country's primary exports.

Incentives have been provided for capital formation by a reduction in the level of direct taxation which had been pitched too high in the budget for 1947-48 and by the withdrawal of such taxes as the Business Profits Tax and the Capital Gains Tax.

Industrial development has been aided by a low level of duty on imported raw materials and plant and machinery and by generous allowances for depreciation for purposes of Income-tax.

Capital formation has been assisted by the intensive development of the small savings movement. The Central organisation in charge of this movement has been strengthened and changes made from time to time in the available media for investment by the small saver. An attractive scheme of Treasury Savings Deposits carrying a favourable rate of interest for the middle and lower middle classes, with exemption from Income-tax, has also been introduced. The cumulative effect of all this on the volume of small savings has been to maintain the net amount collected for the exchequer at a gradually rising figure, while the tendency in post-war years in many countries has been towards a contraction of small savings.

Expenditure control has not had the effect of curtailing expenditure essential for the security of the country or the implementation of the scheme of development essential for the country's long-term economic progress. Substantial subsidies have been provided for keeping down the price of foodgrains. In spite of the fact that, in the existing inflationary conditions, a budgetary surplus should have been aimed at, the unavoidable deficit has been kept as low as possible in spite of the accumulated cash balances available to Government.

Government borrowing has been so adjusted as to leave a sufficient margin for the development of industry in the private sector, while the post-war years have largely been years of acute stringency in the money market. The need to keep the budgetary deficit as low as possible has not been used for raising money from the market at uneconomic rates.

It may be said that the broad effect of the fiscal and budgetary policy pursued in recent years has been to arrest the rising threat of inflation, within the available resources and with due regard to the need for maintaining the pace of essential development in the country.

Chapter XXII

PRICE CONTROL: GENERAL

Powers were taken by Government under the Defence of India Rules in the early stage of the last war to control prices of necessary articles. Control exists at present over the prices of foodgrains, sugar (excluding quantities permitted to be sold in the free market), iron and steel, cement, raw cotton and manufactures, raw rubber, essential drugs, medicines, coal, etc. How they are controlled is dealt with in the individual chapter dealing with these commodities. This article deals with the following measures governing price control at present:

1. The Supply and Prices of Goods Act, 1950;
2. The Essential Supplies (Temporary Powers) Act,1946; and
3. The Drugs (Control) Act,1950.

SUPPLY AND PRICES OF GOODS ACT

In order to deal with the situation caused by the general tendency of prices to rise, Parliament passed a Resolution on August 12, 1950, under Article 249(1) of the Constitution, taking power for a period of one year from August 15, 1950, to make laws in respect of the following matters enumerated in the State List, namely:-

(i) trade and commerce within the State subject to provisions of entry 33 of List III, and

(ii) production, supply and distribution of goods subject to the provisions of entry 33 of the List III.

In pursuance of this Resolution, the Supply and Prices of Goods Ordinance, 1950, was promulgated on September 2, 1950, providing for the control of prices of certain goods and the supply and distribution thereof. This Ordinance was replaced by an Act of Parliament on December 23, 1950. The life of the Resolution has been extended by one year from August 15, 1951.

GOODS BROUGHT WITHIN ITS SCOPE

The following goods have been brought within the scope of the Act:-

Non-ferrous metals, including brass (un-wrought and semi-manufactured); bicycles, cycle parts and accessories; cycle

tyres and tubes; electric bulbs; caustic soda; soda ash; tanning materials(wattle bark, wattle extract and quebracho); raw rubber; casein; infants' foods (Glaxo, Horlicks, Cow and Gate Milk and Ostermilk); sulphur; tannery wool and chrome ore.

Most of the articles controlled under the Act are either imported or manufactured out of imported materials. In view of stockpiling and rearmament programmes adopted by the U.S.A. and other countries, there is a world shortage in goods like non-ferrous metals, sulphur, caustic soda, soda ash, casein etc. The Act has been used to fix the prices at reasonable levels with reference to landed costs etc., and also to control distribution, wherever necessary, in order to ensure that the limited supplies are used for essential purposes.

While the Central Government announce the prices etc.. the State Governments are responsible for the enforcement of the prices and the administration of the Controls in their respective areas. Necessary powers have been delegated under the various provisions of the Act to the State Governments for this purpose.

PRINCIPLES OF PRICE FIXATION

A Prices Advisory Board has been constituted to advise Government on the fixation of prices and on other matters connected with the Act. The First meeting of the Board was held on October 31, 1950, when it considered the general principles to be followed for the fixation of prices and other matters connected with the administration of the Act. The following general principles laid down by the Board are followed in fixing specific prices:-

(i) As regards goods wholly or largely produced in the country, the formula is, the cost of production plus a reasonable margin of profit to the producer or dealer. Where the Industry concerned has already been investigated by the Tariff Board, the fair selling price recommended by the Tariff Board should afford the basis for the purpose. Where the Industry has not been investigated by the Tariff Board, the price prevailing on June 15, 1950 (the date of the Korean War) may be taken to be reasonable price, provided the cost of production has not changed appreciably since then.

(ii) In regard to imported goods, a suitable basis for price fixation is the landed cost plus a reasonable margin of profit. In cases where the prevailing prices compare favourably with the world prices and there is

no immediate danger of the Indian prices going out of alignment with international prices, there is no need to fix ceiling prices for the time being.

(iii) As regards goods which are partly produced in the country and partly imported, the prices of the imported goods would generally be higher than those of the indigenous variety. Where the difference in prices between the imported and the indigenous types is justified by the quality and the two types could be distinguished from each other, it will be sufficient to prescribe maximum prices for imported goods only. Where the disparity in prices cannot be justified, and the two types can be distinguished from each other, ceiling prices for both the types should be prescribed. In cases where the imported type cannot be easily distinguished from the indigenous variety, a common ceiling might be prescribed, if necessary.

PRICE-FIXED GOODS

In accordance with the above principles and in consultation with the representatives of Industry and Trade, specific ceiling prices have been fixed in respect of the following goods:-

(1) Infants' foods (Glaxo, Horlicks, Ostermilk and Cow & Gate Milk).
(2) Electric bulbs (both indigenous and imported).
(3) Caustic soda (both indigenous and imported).
(4) Soda ash (both indigenous and imported).
(5) Cycle tyres and tubes (indigenous).
(6) Casein (indigenous).
(7) Hind Cycles.

NATURE OF CONTROL

The following statement shows the nature of control exercised in respect of the various commodities brought within the purview of the Act:-

(1) *Control on price.*
Cycle tyres and tubes, electric bulbs, caustic soda, soda ash, infants' foods (Horlicks, Glaxo, Ostermilk, and Cow and Gate Milk), tanning materials, bicycles and casein.

(2) *Control on movement or distribution*:
Raw rubber, tanning materials, sulphur, tannery wool and casein.

(3) *Limitation of the quantity that may be sold on any one occasion*:
Infants' foods.

(4) *Limitation of the quantity that may be held by consumers:*
Infants' foods, caustic soda, soda ash and sulphur.

(5) *Ban on sale by consumers:*
Caustic soda and soda ash.

(6) *Submission of monthly stock returns:*
Non-ferrous metals, bicycles, bicycle parts and accessories (24 items), cycle tyres and tubes, electric bulbs, caustic soda and soda ash, infants' foods, casein and sulphur.

(7) *Maintenance of record of cash transactions .*
Electric bulbs, non-ferrous metals, caustic soda and soda ash.

(8) *Exhibition of price lists .*
Electric bulbs, infants' foods, caustic soda and soda ash, tanning materials, cycle tyres and tubes, cycles and casein.

ESSENTIAL SUPPLIES ACT

The aim of the Essential Supplies (Temporary Powers) Act, 1946, as amended up-to-date is to provide for the continuance, during a limited period, of powers to control the production, supply and distribution of, and trade or commerce in, certain commodities. The Act applies to the following commodities:-

1. Foodstuffs.
2. Cattle fodder.
3. Cotton and woollen textiles.
4. Raw cotton.
5. Cotton seed.
6. Paper.
7. Petroleum and petroleum products.
8. Spare parts of mechanically propelled vehicles.
9. Coal.
10. Iron and Steel.
11. Mica.

In August, 1950, the life of the Act was extended upto December 30, 1952 (*Vide* Essential Supplies (Temporary Powers) Amendment Act, 1950).

THE DRUGS (CONTROL) ACT

With a view to preventing any rise to the prices of essential drugs and medicines following devaluation, the Drugs (Control) Ordinance, 1949, extending to all Part C States, was promulgated on October 3, 1949. As uniform action throughout the country was essential, Governments of Parts A and B States were also requested to promulgate similar Ordinances on the lines of

the Central Ordinance. Similar Ordinances were issued by them accordingly. It was later on decided to continue control over the price and distribution of drugs. The Central Ordinance was accordingly replaced by an Act of Parliament on April 7, 1950. Parts A and B States have taken similar action in the matter.

All-India prices for the various drugs controlled are arrived at in consultation with the Ministry of Health and communicated to all State Governments, who notify these prices. Thus uniform prices for the drugs are maintained throughout the country.

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